



## DIB TIER 1 SUKUK (5) LTD.

*(incorporated with limited liability under the laws of the Cayman Islands)*

### U.S.\$500,000,000 Additional Tier 1 Capital Certificates

The U.S.\$500,000,000 Additional Tier 1 Capital Certificates (the **Certificates**) of DIB Tier 1 Sukuk (5) Ltd. (in its capacity as issuer and in its capacity as trustee, as applicable the **Trustee**) will be constituted by a declaration of trust (the **Declaration of Trust**) dated 19 April 2021 (the **Issue Date**) entered into between the Trustee, Dubai Islamic Bank PJSC (**DIB**) and HSBC Corporate Trustee Company (UK) Limited as (i) the donee of certain powers as set out in the Declaration of Trust and as (ii) the delegate of the Trustee (the **Delegate**). Pursuant to the Declaration of Trust, the Trustee will declare that it will hold the Trust Assets (as defined herein) upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates (the **Conditions**).

If a Non-Viability Event (as defined herein) occurs, a Write-down (as defined herein) shall occur on the relevant Non-Viability Event Write-down Date (as defined herein), as more particularly described in Condition 11. In such circumstances, the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets (as defined herein)) shall automatically be deemed to be irrevocably, unconditionally and permanently written-down in a proportion corresponding to the relevant Write-down Amount (as defined herein) and in the case of the relevant Write-down Amount corresponding to the full proportion of the Prevailing Face Amount (as defined herein) of each Certificate then outstanding, the Certificates shall be cancelled. See "*Risk Factors – Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit will be permanently written-down upon the occurrence of a Non-Viability Event*".

The payment obligations of DIB under the Mudaraba Agreement (as defined herein) (including all payments which are the equivalent of principal (being capital amounts, including the Mudaraba Capital (as defined herein), payable in accordance with the provisions of the Mudaraba Agreement) and profit) (the **Relevant Obligations**) will, subject to the Solvency Conditions (as defined herein) being satisfied at the relevant time and no bankruptcy order having been issued in respect of DIB by a court in the United Arab Emirates (the **UAE**), rank in priority only to all Junior Obligations (as defined herein). Payments in respect of the Relevant Obligations by DIB are conditional upon (i) DIB being Solvent (as defined herein) at all times from (and including) the first day of the relevant Periodic Distribution Period (as defined herein) (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable; (ii) DIB being capable of making payment of the Relevant Obligations and any other payment that is due to be made on the relevant date to a creditor in respect of all Senior Obligations and all *Pari Passu* Obligations (each, as defined herein) and still be Solvent immediately thereafter; and (iii) the total share capital (including, without limitation, retained earnings) of DIB being greater than zero at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable (together, the **Solvency Conditions**). **In addition, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of DIB has been issued by a court in the UAE, all claims of the Trustee in respect of the Relevant Obligations will be extinguished and the Certificates will be cancelled without any further payment to be made by DIB in respect of the Relevant Obligations.**

Periodic Distribution Amounts (as defined herein) shall be payable subject to and in accordance with the Conditions on the Prevailing Face Amount of the Certificates then outstanding from (and including) the Issue Date to (but excluding) 19 April 2027 (the **First Reset Date**) at a rate of 3.375 per cent. per annum. If the Certificates are not redeemed or purchased and cancelled in accordance with the Conditions on or prior to the First Reset Date, Periodic Distribution Amounts shall be payable from (and including) the First Reset Date subject to and in accordance with the Conditions at a fixed rate, to be reset on the First Reset Date and every six years thereafter, equal to the Relevant Six Year Reset Rate (as defined in the Conditions) plus a margin of 2.246 per cent. per annum. Periodic Distribution Amounts will, if payable pursuant to the Conditions, be payable semi-annually in arrears on 19 April and 19 October in each year, commencing 19 October 2021. Payments on the Certificates will be made free and clear of and without withholding or deduction for, on account of, taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of any Relevant Jurisdiction (as defined herein) (the **Taxes**) to the extent described under Condition 13. Each payment of a Periodic Distribution Amount will be made by the Trustee provided that DIB (in its capacity as Mudareb (as defined herein)) shall have paid Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit (as applicable) (each as defined herein) equal to such Periodic Distribution Amount pursuant to the terms of the Mudaraba Agreement (as defined in the Conditions). Payments of such profit amounts under the Mudaraba Agreement are subject to mandatory cancellation if a Non-Payment Event (as defined herein) occurs, and are otherwise at the sole discretion of DIB (as Mudareb). Any Periodic Distribution Amounts not paid as aforesaid will not accumulate and neither the Trustee nor the Certificateholders shall have any claim in respect thereof.

The Certificates are perpetual securities and have no fixed or final redemption date. Unless the Certificates have previously been redeemed or purchased and cancelled as provided in the Conditions, DIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, redeem all but not some only of the Certificates on 19 October 2026 (the **First Call Date**) or on any date thereafter up to and including the First Reset Date or any Periodic Distribution Date following the First Reset Date in accordance with Condition 10.1(b). In addition, upon the occurrence of a Tax Event or a Capital Event (each as defined herein), DIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall redeem all, but not some only, of the Certificates or vary the terms thereof, in each case at any time on or after the Issue Date in accordance with Conditions 10.1(c) or 10.1(d), respectively. Any redemption or variation is subject to the conditions described in Condition 10.1.

If a DIB Event (as defined in the Conditions) occurs, the Delegate shall (subject to Condition 12.1) give notice of the occurrence of such event to the Certificateholders in accordance with Condition 17 with a request to the Certificateholders to indicate to the Trustee and the Delegate in writing if they wish the Certificates to be redeemed and the Trust to be dissolved (a **Dissolution Request**). If so requested in writing by the Certificateholders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding or if so directed by an Extraordinary Resolution of Certificateholders, the Delegate shall (but in each case subject to Condition 12.3(e)(i)), give notice (a **Dissolution Notice**) to the Trustee that the Certificates are immediately due and payable at the Prevailing Face Amount of the Certificates then outstanding together with any Outstanding Payments (as defined in the Conditions), whereupon the aggregate face amount of the Certificates then outstanding together with any Outstanding Payments shall become immediately due and payable and, upon receipt of such Dissolution Notice, the Trustee and/or the Delegate shall subject to Condition 12.3 take the actions referred to therein.

**The Certificates will be limited recourse obligations of the Trustee. An investment in the Certificates involves certain risks. For a discussion of these risks, see "Risk Factors".**

This Prospectus has been approved as a prospectus by the Central Bank of Ireland (the **Irish Central Bank**), as competent authority under Regulation (EU) 2017/1129 (the **Prospectus Regulation**). The Irish Central Bank only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the Irish Central Bank should not be considered as an endorsement of the Trustee or DIB or of the quality of the Certificates. Investors should make their own assessment as to the suitability of investing in the Certificates.

Such approval relates only to the Certificates which are to be admitted to trading on a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU) (as amended, **MiFID II**) (each such market being a **MiFID Regulated Market**) and/or which are to be offered to the public in any Member State of the European Economic Area (the **EEA**). Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) for the Certificates to be admitted to the official list (the **Official List**) and trading on the regulated market (the **Euronext Dublin Regulated Market**) of Euronext Dublin. The Euronext Dublin Regulated Market is a MiFID Regulated Market. This Prospectus has been approved by the Dubai Financial Services Authority (the **DFSA**) under Rule 2.6 of the DFSA's Markets Rules (the **Markets Rules**) and is therefore an approved prospectus for the purposes of Article 14 of the DIFC Law No. 1 of 2012 (the **Markets Law**). Application has also been made to the DFSA for the Certificates to be admitted to the official list of securities maintained by the DFSA (the **DFSA Official List**) and to Nasdaq Dubai for such Certificates to be admitted to trading on Nasdaq Dubai. References in this Prospectus to Certificates being **listed** (and all related references) shall mean that such Certificates have been (a) admitted to listing on the Official List and the DFSA Official List and (b) admitted to trading on the Euronext Dublin Regulated Market (or, as the case may be, another MiFID Regulated Market) and on Nasdaq Dubai.

This Prospectus will be valid for a year from 15 April 2021. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when this Prospectus is no longer valid. For the purposes of this Prospectus, **valid** means valid for admissions to trading on a regulated market by or with the consent of the Trustee and the obligation to supplement this Prospectus is only required within its period of validity between the time when this Prospectus is approved and the closing of the offer period for the Certificates or the time when trading on a regulated market begins, whichever occurs later.

The Certificates will be represented by interests in a global certificate in registered form (the **Global Certificate**) deposited on or before the Issue Date with, and registered in the name of a nominee for, a common depositary (the **Common Depositary**) for, Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

This Prospectus relates to an Exempt Offer in accordance with the Markets Rules of the DFSA. This Prospectus is intended for distribution only to persons of a type specified in the Markets Rules. It must not be delivered to, or relied on by, any other person. The DFSA does not accept any responsibility for the content of the information included in this Prospectus, including the accuracy or completeness of such information, nor has it determined whether the Certificates are Shari'a compliant. The liability for the content of this Prospectus lies with the Trustee and DIB. The DFSA has also not assessed the suitability of the Certificates to which this Prospectus relates to any particular investor or type of investor. If you do not understand the contents of this Prospectus or are unsure whether the Certificates to which this Prospectus relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

The transaction structure relating to the Certificates (as described in this Prospectus) and the Transaction Documents (as defined herein) have been approved by each of the Fatwa and Sharia Supervisory Board of DIB and the Sharia Committee of Dar al Sharia Islamic Finance Consultancy LLC, First Abu Dhabi Bank Internal Shariah Supervision Committee, the Internal Shariah Supervision Committee of HSBC Bank Middle East Limited and the Standard Chartered Bank Global Shariah Supervisory Committee. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own Shari'a advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with Shari'a principles.

The Certificates may only be offered, sold or transferred in registered form in minimum face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Amounts payable on the Certificates following the First Reset Date will be calculated by reference to one or more U.S. Treasury rates. As at the date of this Prospectus, the administrator(s) of the relevant U.S. Treasury rate(s) are not included in the register of administrators of the European Securities and Markets Authority (**ESMA**) under Article 36 of the Regulation (EU) No. 2016/1011 (the **EU Benchmarks Regulation**). As far as the Trustee is aware, the transitional provisions in Article 51 of the EU Benchmarks Regulation apply, such that the administrator(s) of the relevant U.S. Treasury rate(s) are not currently required to obtain authorisation/registration (or, if located outside the EU, recognition, endorsement or equivalence).

## ***JOINT LEAD MANAGERS***

**Dubai Islamic Bank**

**Emirates NBD Capital**

**First Abu Dhabi Bank**

**HSBC**

**Standard Chartered Bank**

The date of this Prospectus is 15 April 2021

This Prospectus complies with the requirements in Part 2 of the Markets Law and Chapter 2 of the Market Rules and comprises a prospectus for the purposes of Article 6 of the Prospectus Regulation and for the purpose of giving information with regard to the Trustee, DIB and its subsidiaries and affiliates taken as a whole and the Certificates which, according to the particular nature of the Trustee, DIB and of the Certificates, is necessary to enable investors to make an informed assessment of: (i) the assets and liabilities, financial position, profit and losses and prospects of the Trustee and DIB; (ii) the rights attaching to the Certificates; and (iii) the reasons for the issuance and its impact on the Trustee and DIB. The opinions, assumptions, intentions, projections and forecasts expressed in this Prospectus with regard to the Trustee and DIB are honestly held by the Trustee and DIB, have been reached after considering all relevant circumstances and are based on reasonable assumptions and are not misleading in any material respect.

The Trustee and DIB accept responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Trustee and DIB the information contained in this Prospectus is in accordance with the facts and makes no omission likely to affect its import.

Certain information under the headings "*Risk Factors*", "*Description of the Group*" and "*The United Arab Emirates Banking Sector and Regulations*" has been extracted from information provided by or obtained from independent third party sources and, in each case, the relevant source of such information is specified where it appears under those headings. Each of the Trustee and DIB confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the Irish Central Bank.

None of the Joint Lead Managers, nor any of their directors, affiliates, advisers, agents, the Delegate nor the Agents (as defined in the Agency Agreement) has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of them as to the accuracy, adequacy, reasonableness or completeness of the information contained in this Prospectus or any other information provided by the Trustee or DIB in connection with the Certificates or for any acts or omissions of the Trustee, DIB or any other person in connection with this Prospectus or the issue and offering of the Certificates.

To the fullest extent permitted by law, the Joint Lead Managers, the Delegate and the Agents each accepts no responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by a Joint Lead Manager, the Delegate or an Agent or on its behalf in connection with the Trustee, DIB or the issue and offering of the Certificates. Each of the Joint Lead Managers, the Delegate and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

No person is or has been authorised by the Trustee, DIB, the Joint Lead Managers, the Delegate or the Agents to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the offering of the Certificates and, if given or made, such information or representation should not be relied upon as having been authorised by the Trustee, DIB, the Joint Lead Managers, the Delegate or any of the Agents.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Certificates shall, in any circumstances, constitute a representation or create any implication that the information contained in this Prospectus is correct subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or the financial or trading position of the Trustee or DIB since the date hereof or, if later, the date upon which this Prospectus has been most recently amended or

supplemented or that any other information supplied in connection with the Certificates is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No advice is given by the Trustee, DIB, the Joint Lead Managers, the Delegate or the Agents or, any of their directors, affiliates, advisers or agents in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under applicable or similar laws.

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Certificates may be offered or sold solely to persons who are not U.S. persons outside the United States in reliance on Regulation S. Each purchaser of the Certificates is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

DIB has been assigned ratings of "A" by Fitch Ratings Limited (**Fitch**) with a "stable" outlook and "A3" by Moody's Investors Service Cyprus Ltd. (**Moody's**) with a "negative" outlook.

Fitch is established in the United Kingdom and is registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**) (the **UK CRA Regulation**). Fitch is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The rating issued by Fitch has been endorsed by Fitch Ratings Ireland Limited. Fitch Ratings Ireland Limited is established in the European Union and registered under the CRA Regulation. As such, Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Moody's is established in the European Union and is registered under the CRA Regulation. As such Moody's is included in the list of credit rating agencies published by ESMA on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. The rating issued by Moody's has been endorsed by Moody's Investors Services Ltd. Moody's Investors Services Ltd. is established in the United Kingdom and is registered under the UK CRA Regulation.

**A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency organisations.**

**EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF ANY CERTIFICATES.**

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the Trustee, DIB, the Joint Lead Managers, the Delegate or the Agents makes any representation to any investor in the Certificates regarding the legality of its investment under any applicable laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

The distribution of this Prospectus and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. None of the Trustee, DIB, the Joint Lead Managers, nor any of their directors, affiliates, advisers, agents, the Delegate or the Agents represents that this Prospectus may be lawfully distributed, or that Certificates may be lawfully offered, in compliance with any applicable

registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, DIB, the Joint Lead Managers, nor any of their directors, affiliates, advisers, agents, the Delegate or the Agents which is intended to permit a public offering of the Certificates or distribution of this Prospectus in any jurisdiction where action for that purpose is required.

Accordingly, the Certificates may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Persons into whose possession this Prospectus comes are required by the Trustee, DIB and the Joint Lead Managers to inform themselves about and to observe any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of the Certificates in the United States, the United Kingdom, the UAE (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Cayman Islands, the EEA, the Kingdom of Saudi Arabia, State of Kuwait, the Kingdom of Bahrain, Hong Kong, Singapore, Malaysia and Switzerland. For a description of the restrictions on offers, sales and deliveries of Certificates and on the distribution of this Prospectus and other offering material relating to the Certificates, see "*Subscription and Sale*".

This Prospectus does not constitute an offer or an invitation to subscribe for or purchase Certificates, is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Trustee, DIB, the Joint Lead Managers, the Delegate, the Agents or any of their directors, affiliates, advisers, agents or any of them that any recipient of this Prospectus should subscribe for, or purchase, the Certificates. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Trustee and DIB. None of the Joint Lead Managers, the Delegate or the Agents undertakes to review the financial condition or affairs of the Trustee or DIB during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Certificates of any information coming to the attention of any of the Joint Lead Managers.

The Certificates are of high risk and may not be a suitable or appropriate investment for all investors (see, in particular, "*MIFID II Product Governance / Professional Investors and ECPs only Target Market*", "*UK MIFIR Product Governance / Professional Investors and ECPs only Target Market*", "*PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors*" and "*UK PRIIPs Regulation / Prohibition of Sales to UK Retail Investors*" below). In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Certificates to investors. There are risks inherent in the holding of the Certificates, including the risks relating to subordination of claims in connection therewith and the circumstances in which a potential investor may suffer loss as a result of holding the Certificates. For a discussion of these risks, see "*Risk Factors*".

**Each potential investor in the Certificates must determine the suitability of its investment in light of its own circumstances. In particular, each potential investor should:**

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Prospectus;**
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;**
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor's currency;**

- (iv) **understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and**
- (v) **be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.**

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) the Certificates are legal investments for it; (b) the Certificates can be used as collateral for various types of financing; and (c) other restrictions apply to its purchase or pledge of any Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

The Certificates are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Certificates unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of the Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

#### **CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS**

Some statements in this Prospectus may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning DIB's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. When used in this Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in the sections entitled "*Risk Factors*", "*Description of the Group*" and "*Risk Management*" and other sections of this Prospectus. DIB has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although DIB believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise, including those identified below or which DIB has otherwise identified in this Prospectus, or if any of DIB's underlying assumptions prove to be incomplete or inaccurate, DIB's actual results of operation may vary from those expected, estimated or predicted. Investors are therefore strongly advised to read the sections "*Risk Factors*", "*Description of the Group*", "*Risk Management*" and "*The United Arab Emirates Banking Sector and Regulations*", which include a more detailed description of the factors that might have an impact on DIB's business development and on the industry sector in which DIB operates.

These forward-looking statements speak only as at the date of this Prospectus. Without prejudice to any requirements under applicable laws, DIB expressly disclaims any obligation or undertaking to disseminate after the date of this Prospectus any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any forward-looking statement is based. Given the uncertainties of forward-looking statements, DIB cannot assure potential investors that projected results or events will be achieved and DIB cautions potential investors not to place undue reliance on these statements.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### PRESENTATION OF FINANCIAL INFORMATION

The financial statements relating to the Group included in this document are as follows:

- audited consolidated financial statements as at and for the year ended 31 December 2020 together with comparative financial information for the year ended 31 December 2019 (the **2020 Financial Statements**); and
- audited consolidated financial statements as at and for the year ended 31 December 2019 together with comparative financial information for the year ended 31 December 2018 (the **2019 Financial Statements** and, together with the 2020 Financial Statements, the **Financial Statements**).

The Group's financial year ends on 31 December, and references in this Prospectus to any specific year are to the 12-month period ended on 31 December of such year. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (the **IASB**). The Financial Statements were audited in accordance with International Standards on Auditing by Deloitte & Touche (M.E.), without qualification as stated in their audit reports appearing therein.

The Group publishes its financial statements in dirham.

### PRESENTATION OF OTHER INFORMATION

In this document, references to:

- **Abu Dhabi** and **Dubai** are to the Emirate of Abu Dhabi and the Emirate of Dubai, respectively;
- **Central Bank** are to the central bank of the UAE;
- **GCC** are to the Gulf Co-operation Council;
- **Group** are to DIB and its consolidated subsidiaries and associates taken as a whole;
- **MENA region** are to the Middle East and North Africa region;
- **UAE** are to the United Arab Emirates;
- **U.S.\$** and **U.S. dollars** are to the lawful currency of the United States;
- **euro** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- **dirham** and **AED** are to the lawful currency of the UAE; and
- a **billion** are to a thousand million.

The dirham has been pegged to the U.S. dollar since 22 November 1980. The mid-point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.\$1.00. All U.S. dollar translations of dirham amounts appearing in this Prospectus have been translated at this fixed exchange rate. Such translations should not be construed as representations that dirham amounts have been or could be converted into U.S. dollars at this or any other rate of exchange.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments. For the purposes of calculating certain figures and percentages, the underlying numbers used have been extracted from the relevant financial statements rather than the rounded numbers contained in the Prospectus. Accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Information contained in any website referred to herein does not form part of this Prospectus.

In this Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

### **ALTERNATIVE PERFORMANCE MEASURES**

A number of the financial measures presented by DIB in this Prospectus are not defined in IFRS. However, DIB believes that these measures provide useful supplementary information to both investors and DIB's management, as they facilitate the evaluation of company performance. It is to be noted that, since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies. Accordingly, these financial measures should not be seen as a substitute for measures defined in IFRS. Unless otherwise stated, the list below presents alternative performance measures, along with their reconciliation to the extent that such information is not defined in the IFRS and not included in DIB's financial statements incorporated by reference into this Prospectus:

- provision coverage ratio: provision for impairment / non-performing investing and financing assets;
- overall coverage ratio: aggregate of provision for impairment and discounted value of collateral / non-performing investing and financing assets;
- impaired ratio: impaired financing and investing assets / gross financing and investing assets, and investments in bilateral sukuk;
- return on equity: net profit attributable to equity holders / average shareholders' equity, adjusted for estimated distribution;
- return on assets: net profit for the group / average total assets;
- cost to income ratio: total operating expenses / net income;
- net profit margin: net funded income (gross income from financing and investing transactions less depositors and sukuk holders' share of profit) / average earning assets (aggregate of financing and investing assets, investment in Islamic sukuk, due from banks and financial institutions and international murabaha with Central Bank); and
- financing / customer deposits: net Islamic financing and investing assets / customer deposits.

### **MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET**

There are no manufacturers for the purposes of MiFID II. Any person subsequently offering, selling or recommending the Certificates (a **distributor**) should consider (i) the target market for the Certificates to be eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients to be appropriate. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the target market) and determining appropriate distribution channels.



## **UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET**

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA (**UK MiFIR**), only; and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

## **PRIIPS REGULATION / PROHIBITION OF SALES TO EEA RETAIL INVESTORS**

The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPS Regulation**) for offering or selling the Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

## **UK PRIIPS REGULATION / PROHIBITION OF SALES TO UK RETAIL INVESTORS**

The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (**FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPS Regulation**) for offering or selling the Certificates or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPS Regulation.

## **NOTIFICATION UNDER SECTION 309B(1)(c) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE SFA)**

In connection with Section 309B of the SFA, the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Certificates are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## VOLCKER RULE

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund", and (iii) entering into certain relationships with "covered funds". The general effects of the Volcker Rule remain uncertain; any prospective investor in the Certificates and any entity that is a "banking entity" as defined under the Volcker Rule which is considering an investment in the Certificates should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. If investment by "banking entities" in the Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Certificates, and accordingly none of the Trustee, DIB, the Joint Lead Managers, the Delegate or the Agents, or any of their respective affiliates makes any representation regarding (a) the status of the Trustee under the Volcker Rule (including whether it is a "covered fund" for their purposes) or (b) the ability of any purchaser to acquire or hold the Certificates, now or at any time in the future.

## NOTICE TO U.K. RESIDENTS

The Certificates represent interests in a collective investment scheme (as defined in the FSMA) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Conduct Authority. Accordingly, this Prospectus is not being distributed to and must not be passed on to the general public in the United Kingdom.

The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the Certificates: (A) if effected by a person who is not an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **Financial Promotion Order**); (ii) persons falling within any of the categories of persons described in Article 49(2) (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if effected by a person who is an authorised person under the FSMA, is being addressed to, or directed at, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the **Promotion of CIS Order**); (ii) persons falling within any of the categories of person described in Article 22(2)(a)-(d) (High net worth companies, unincorporated associations, etc.) of the Promotion of CIS Order; and (iii) any other person to whom it may otherwise lawfully be made. Persons of any other description in the United Kingdom may not receive and should not act or rely on this document.

Prospective investors in the United Kingdom in the Certificates are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any prospective investor intending to invest in the Certificates should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

## NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

No invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe

for the Certificates and this Prospectus shall not be construed as an invitation to any member of the public in the Cayman Islands to subscribe for the Certificates.

#### **NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA**

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Saudi Arabian Capital Market Authority (the **Capital Market Authority**).

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document you should consult an authorised financial adviser.

#### **NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN**

In relation to investors in the Kingdom of Bahrain, Certificates issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain (the **CBB**) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or the equivalent amount in any other currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and any related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Certificates may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Prospectus or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this document. No offer of Certificates will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

#### **NOTICE TO RESIDENTS OF MALAYSIA**

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made, directly or indirectly, and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories of person set out in Part I of Schedule 6 or Part I of Section 229(1)(b), Part I of Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time.

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or DIB and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

## STABILISATION

In connection with the issue of the Certificates, HSBC Bank plc (the **Stabilisation Manager**) (or persons acting on behalf of the Stabilisation Manager) may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager shall act as principal and not as agent of the Trustee or DIB. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the Issue Date and, if begun, may cease any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Certificates. Any stabilisation action must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

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## **RISK FACTORS**

*The purchase of the Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of the Certificates should consider carefully, in light of their own financial circumstances and investment objectives, all of the information in this Prospectus.*

*Each of the Trustee and DIB believes that the factors described below represent the principal risks inherent in investing in the Certificates but the inability of the Trustee to pay any amounts on or in connection with any Certificate may occur for other reasons and neither the Trustee nor DIB represents that the statements below regarding the risks of holding any Certificate are exhaustive. There may also be other considerations, including some which may not be presently known to the Trustee or DIB or which the Trustee or DIB currently deems immaterial, that may impact any investment in the Certificates.*

*Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in the Conditions and "Global Certificate" shall have the same meanings in this section.*

### **Risks relating to the Trustee**

***The Trustee has a limited operating history and no material assets and is dependent upon the performance by DIB of its obligations under the Transaction Documents***

The Trustee is a newly formed entity and has no operating history. The Trustee will not engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in its capacity as a trustee and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Trustee's only material assets, which it will hold on trust for the Certificateholders, will be the Trust Assets, including its right to receive payments under the Mudaraba Agreement.

The Trustee's ability to pay amounts due on the Certificates will depend on its receipt from DIB (in its capacity as Mudareb), of all amounts due under the Mudaraba Agreement, which in aggregate may not be sufficient to meet all claims under the Certificates and the Transaction Documents. Therefore, the Trustee is subject to all the risks to which DIB is subject to the extent that such risks could limit DIB's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents. See "*Risks relating to the Group*" for a further description of these risks.

### **RISKS RELATING TO THE GROUP**

**The Group's business, financial condition, results of operations and prospects are and will continue to be affected by economic conditions and the impact of COVID-19 on the UAE's economy is likely to materially adversely impact the Group**

DIB, in common with other financial institutions, is susceptible to changes in the macro-economic environment and the performance of financial markets generally. In 2020 and to date in 2021, the macro-economic environment (both globally and within the UAE) has been materially affected by the coronavirus disease 2019 (known as **COVID-19**), which was first identified in Wuhan, Hubei Province, China in December 2019 and has since spread to most countries around the world. Many of these countries, including the United States, India and Brazil, have been significantly impacted and have experienced high levels of deaths connected with COVID-19. As at 11 April 2021, the World Health Organisation had recorded more than 134 million confirmed cases of COVID-19 and more than 2.9 million deaths from COVID-19 around the world.

Most affected countries introduced measures to try to contain the spread of the virus, including measures that restricted the movement of their citizens. These measures significantly reduced economic activity in many countries around the world. It remains unclear how long COVID-19 related restrictions will remain in place and what their ultimate impact will be on global and local economies, as well as the price of oil. The economic impact of COVID-19 has already included, and may continue to result in, significant volatility in financial markets and reduced global liquidity and investment, and it may lead to lower economic growth in the GCC and globally.

In response to the impact of COVID-19 on their domestic economies, various governments around the world, including the UAE (see further "*The United Arab Emirates Banking Sector and Regulations – COVID-19*"), have announced fiscal stimulus packages and numerous central banks, including the U.S. Federal Reserve and the Central Bank, have cut interest rates and introduced fiscal stimulus and/or support packages. These and any future reductions in rates or changes in fiscal stimulus packages or Central Bank measures could reduce liquidity and adversely impact the Group's financing costs, if the Group is unable to pass these increased costs on to its customers.

In addition, and in part due to the impact of the restrictions imposed to combat COVID-19 on the demand for oil, international oil prices fell significantly in 2020. In early March 2020, OPEC officials proposed a plan to the members of OPEC and other non-OPEC member countries, including Russia, to cut global production by 1.5 per cent. to help support the oil price. No agreement was reached, ending a three-year partnership between OPEC and major non-OPEC oil exporters. This also resulted in 'OPEC plus' failing to extend the agreement of cutting 2.1 million barrels per day that was set to expire at the end of March 2020. Saudi Arabia announced in March 2020 that it would raise oil output and discount its oil in April 2020. In early April 2020, 'OPEC plus' announced that it had reached an agreement to cut production by 9.7 million barrels a day. However this action failed to sufficiently support the oil market with prices falling in the days following the announcement. Reflecting these developments, the average monthly price of the OPEC Reference Basket (which is a notional blend of crudes from around the world), which was U.S.\$65.10 in January 2020, fell to U.S.\$33.92 in March 2020 and U.S.\$17.66 in April 2020. Since then, the average monthly prices of the OPEC Reference Basket began to recover leading to an average annual OPEC Reference Basket price in 2020 of U.S.\$41.47 and most recently in March 2021 of U.S.\$61.74, and thereby moving closer to the average annual prices of the OPEC Reference Basket of U.S.\$69.78 in 2018 and U.S.\$64.04 in 2019.

The significant reduction in international oil prices in 2020, particularly if they continue to remain low for an extended period, may impact the Group in a number of ways, including through (i) its exposure to customers whose business is, directly or indirectly, reliant on oil revenue who become unable to service their debt, (ii) reduced liquidity as deposits from government and government-related entities are withdrawn as these depositors are impacted by low oil prices, and (iii) the impact of low oil prices and the COVID-19 restrictions imposed by the UAE on the UAE's economy and the consequent impact on the Group's wholesale and retail customers. All of these factors have the potential to impact the Group's assessment of its expected credit losses and may therefore result in significantly increased impairment charges in future periods, at least until the UAE and other economies to which it is exposed recover from the effects of COVID-19 restrictions and low oil prices. For example, the Group's impairment charges, net for 2020 were AED 4,552 million compared to AED 1,764 million for 2019, an increase of AED 2,788 million, or 158 per cent.

### **The Group is exposed to credit risk**

Risks arising from adverse changes in the credit quality and recoverability of financing, investment securities and amounts due from counterparties are inherent in a wide range of the Group's businesses, principally in its lending and investment activities. In particular, the Group is exposed to the risk that borrowers may not repay their financing according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. This risk is heightened in times of economic downturns, including the downturn that is expected to result from the COVID-19 pandemic. The Group continuously reviews and analyses its loan portfolio and credit risks, and the Group's provision for credit losses is based on, among

other things, its analysis of current and historical delinquency rates and Islamic financing asset management and the valuation of the underlying assets, as well as numerous other management assumptions. However, these internal analyses and assumptions may give rise to inaccurate predictions of credit performance, particularly in the current volatile economic climate.

Credit losses could also arise from a deterioration in the credit quality of specific borrowers, issuers and other counterparties of the Group, or from a general deterioration in local or global economic conditions, or from systemic risks within financial systems, any or all of which could affect the recoverability and value of the Group's assets and require an increase in the Group's provisions for the impairment of Islamic financing, investment securities and other credit exposures.

As at 31 December 2020, the Group had provisions for impairment in relation to its Islamic financing and investing assets amounting to AED 8,401 million compared to provisions for impairment in relation to its Islamic financing and investing assets amounting to AED 6,081 million as at 31 December 2019. Any failure by the Group to maintain the quality of its assets through effective risk management policies could lead to higher Islamic financing loss provisioning and result in higher levels of defaults and write-offs. In addition, the Central Bank may, at any time, amend or supplement its guidelines and require additional provisions to be made in respect of the Group's Islamic financing and investing assets if it determines (acting in its role as the prudential regulator for the UAE banking sector) that it is appropriate to do so. If any additional provisions were required to be made, then depending on the exact quantum and timing, such provisions could have an adverse impact on the Group's financial performance.

#### **The Group's Islamic financing and investing activities and its investments in sukuk are geographically concentrated in the UAE**

Concentrations in the Group's financing, investing and deposit portfolios subject it to risks of default by its larger customers, to significant exposure to the UAE economy and to particular sectors of the UAE economy that may underperform and to withdrawal of large deposits. The Group's financing and deposit portfolios show country, industry and customer concentrations.

The Group's consolidated portfolio of Islamic financing and investing assets, net of impairment provisions, constituted 68 per cent. of its consolidated total assets, or AED 196,689 million (U.S.\$53,557 million), as at 31 December 2020. As at the same date, 94 per cent. of the Group's Islamic financing and investing assets, before impairment provisions, were concentrated in the UAE. In addition, as at the same date, the Group's investments in Islamic sukuk, net of impairment provisions, constituted a further 12 per cent. of its consolidated total assets, or AED 35,355 million (U.S.\$9,627 million). As at the same date, 55 per cent. of the Group's investments in Islamic sukuk (before provision for impairment) were also concentrated in the UAE.

As a result, any deterioration in general economic conditions in the UAE or any failure by the Group to manage effectively its geographic risk concentration could lead to a deterioration in the credit quality of counterparties of the Group. See *"- The Group's business, financial condition, results of operations and prospects are and will continue to be affected by economic conditions and the impact of COVID-19 on the UAE's economy is likely to materially adversely impact the Group"* above.

#### **A significant decrease in the quality of the Group's Islamic financing and investing assets could materially adversely affect its business**

The Group's IFRS stage 3 Islamic financing and investing assets (including purchased or originated credit impaired (POCI)) were AED 12,061 million as at 31 December 2020 compared to AED 6,225 million as at 31 December 2019. The Group's impaired ratio (defined as the ratio of impaired Islamic financing and investing assets to the aggregate of total Islamic financing and investing assets and investments in bilateral sukuk) amounted to 5.7 per cent. as at 31 December 2020 compared to 3.9 per cent. as at 31 December 2019 and 3.3 per cent. as at 31 December 2018.



The Group's IFRS stage 1, stage 2 and stage 3 expected credit loss amounted to AED 1,133 million, AED 937 million and AED 6,332 million, respectively, as at 31 December 2020 compared to AED 1,076 million, AED 966 million and AED 4,039 million, respectively, as at 31 December 2019. The Group's stage 2 expected credit loss (which is the same as its provision for impairment) as a percentage of its stage 2 gross exposure was 6 per cent. as at 31 December 2020 and 8 per cent. as at 31 December 2019. The Group's stage 3 expected credit loss as a percentage of its stage 3 gross exposure was 52 per cent. as at 31 December 2020 and 65 per cent. as at 31 December 2019.

As at 31 December 2020, the Group had deferred instalments of AED 8,225 million related to 230 corporate banking customers and AED 533 million related to 53,814 consumer banking customers. The total exposure related to these approved deferrals was AED 31,131 million for corporate banking customers and AED 5,287 million for consumer banking customers. These deferrals were partially funded by drawings of AED 3,200 million under the Central Bank's targeted economic support scheme. There can be no assurance that the Central Bank funding for deferred instalments will continue to be available or will cover all of the Group's losses in relation to the financings concerned.

Any significant deterioration in the Group's Islamic financing and investing assets in future periods could result in increased provisions for impairment and thus materially adversely affect its business.

### **The Group is exposed to adverse changes in the real estate market in the UAE**

As at 31 December 2020, the Group's gross maximum exposure to credit risk (before taking into account collateral or other credit enhancements held) to customers operating in the real estate sector was AED 63,030 million, or 19 per cent. of its total gross maximum exposure to credit risk. In addition, the Group's gross maximum exposure to credit risk to consumer home finance customers and customers operating in the contracting sector was AED 21,384 million and AED 12,138 million, respectively, equal to 7 per cent. and 4 per cent., respectively, of its total gross maximum exposure to credit risk. The Group is exposed to the consumer home finance sector both directly and through its subsidiary, Tamweel P.S.C. (**Tamweel**), whose core business is the provision of Sharia-compliant home financing solutions within the UAE.

The Group has a secondary exposure to the real estate market where its Islamic financing and investing assets which are not advanced to customers in the sectors described above are secured by real estate collateral.

Any significant downturn in the UAE real estate market could weaken the credit quality of the Group's real estate and contracting clients resulting in increased provisions for impairment and would also be likely to reduce the value of the real estate collateral securing the Group's consumer home financing or any of its other Islamic financing and investing assets secured by real estate collateral, again potentially resulting in increased provisions for impairment and therefore reduced profitability.

### **The Group has significant credit-related contingent liabilities and commitments that may lead to substantial potential losses**

As part of the Group's lending and trade-related activities, the Group provides guarantees and letters of credit, which are commitments to make payments on behalf of customers contingent upon the failure of the customer to satisfy its obligations supported by the commitment, and also makes irrevocable commitments to make financing available to customers. Although these commitments are contingent and therefore off-balance sheet, they nonetheless subject the Group to related credit risk. Credit-related commitments are subject to the same credit approval and compliance procedures as financing advanced to customers and commitments to extend financing are contingent on customers maintaining specific credit standards. As at 31 December 2020, the Group had AED 40,847 million of credit-related contingent liabilities and commitments outstanding, being 12 per cent. of its total assets plus credit-related contingent liabilities and commitments. Although the Group anticipates that only a portion of its obligations in respect of these commitments will be triggered, it may become obliged to make payments in respect of a greater portion of such commitments than originally anticipated, which could have a material adverse effect on its business, results of operations and financial condition.

**The Group could be adversely affected by the weakness or the perceived weakness of other financial institutions and counterparties, which could result in significant systemic liquidity problems, losses or defaults**

Against the backdrop of constraints on liquidity and the high cost of funds in the interbank market, and given the high level of interdependence between financial institutions that became most evident following the bankruptcy of Lehman Brothers in 2008, the Group is subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial institutions. Within the financial services industry, the default of any one institution could lead to significant losses, and potentially defaults, by other institutions. As was experienced globally in 2008 and 2009, concerns about, or a default by, one institution could also lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions is closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by the Group or other institutions. This risk, often referred to as "systemic risk", may also adversely affect other financial intermediaries, such as clearing agencies, clearing houses, securities firms and exchanges, with whom the Group interacts on a daily basis. Systemic risk, should it materialise, could have a material adverse effect on the Group's ability to raise new funding and on its business and prospects.

**The Group is subject to the risk that liquidity may not always be readily available or may only be available at significant cost**

Liquidity risk is the risk that the Group may be unable to meet its payment obligations when they fall due under normal and stressed circumstances. Liquidity risks could arise from the inability of the Group to anticipate and provide for unforeseen decreases or changes in funding sources which could have adverse consequences on the Group's ability to meet its obligations when they fall due.

The Group's customers' deposits, which are its principal source of funding, constituted 84 per cent. of its total liabilities, or AED 205,925 million (U.S.\$56,072 million), as at 31 December 2020, of which the majority were located in the UAE. As is the normal practice in the UAE banking industry, the Group accepts deposits from its customers which are short-term in nature and its ability to meet Central Bank regulations relating to liquidity. Any such withdrawal could require the Group to seek additional sources of funding (whether in the form of deposits or wholesale funding), which may not be available to the Group on commercially acceptable terms or at all. Any failure to obtain replacement funding would be likely to negatively impact the Group's ability to maintain or grow its Islamic financing portfolio or otherwise increase its overall cost of funding, any of which could have a material adverse effect on its business. Accordingly, there is a risk, which is heightened in periods where liquidity is constrained, that, if a significant number of the Group's customers did not choose to roll over their deposits at any time, the Group could experience difficulties in repaying those deposits.

An inability on the Group's part to access funds or to access the markets from which it raises funds may lead to the Group being unable to finance its operations adequately. A dislocated credit environment compounds the risk that the Group will not be able to access funds on favourable commercial terms (including profit payable thereon). These and other factors could also lead creditors to form a negative view of the Group's liquidity, which could result in less favourable credit ratings, higher borrowing costs and less accessible funds.

In addition, there are timing differences between the cash payments the Group owes on its liabilities and the cash payments due to it on its financing advanced and investments made. The Group's ability to overcome these cash mismatches may be adversely affected if the fixed income markets were to experience significant liquidity problems. Also, under certain market conditions, the Group could be unable to sell additional products or be unable to sell its portfolio investments in sufficient amounts to raise the cash required to fulfil its obligations under the Transaction Documents when due.

There can be no assurance that the Group will be able to obtain additional funding as and when required or at prices that will not affect the Group's ability to compete effectively and, if the Group is forced to sell assets

to meet its funding requirements, it may suffer material losses as a result. In extreme cases, if the Group is unable to secure funding to meet its liquidity needs, through customers' deposits, interbank financing, capital markets or asset sales, this would have a material adverse effect on the Group's business and prospects and could, potentially, result in its insolvency.

**The Group is highly regulated and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on the Group's business**

The Group is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic, social and other objectives and limit their exposure to risk. Some of these controls are described further in *"The United Arab Emirates Banking Sector and Regulation"*. These regulations include UAE federal laws and regulations (particularly those of the UAE federal government and the Central Bank), as well as the laws and regulations of the other countries in which the Group operates. In particular (but without limitation), the Group is subject to restrictions on credit limits in respect of real estate and construction financing, major shareholders and large exposures to a single customer or group of connected customers (based on the Group's customer deposits and/or capital and reserves as prescribed by the Central Bank).

Such regulations may limit the Group's ability to increase its Islamic financing portfolio or raise capital or may increase its cost of doing business. For example, since 1 January 2019, DIB, as a domestic systemically important bank, has been required to maintain an additional 50 basis points of capital which is to be met in its entirety by Common Equity Tier 1 capital.

Any future changes in laws or in Central Bank regulations or policy and/or the manner in which they are interpreted or enforced may affect the Group's reserves, revenues and performance and may have a material adverse effect on its business, results of operations, financial condition and prospects, including its ability to compete successfully in the geographies in which it operates. Furthermore, non-compliance with regulatory guidelines could expose the Group to potential liabilities and fines. Although the Group works closely with its regulators and continually monitors its compliance with Central Bank regulations and policy, future changes in regulation, fiscal or other policies cannot be predicted and are beyond its control.

**The Group's financial condition and results of operations could be adversely affected by market risks, including volatility in profit rates, prices of securities and foreign exchange rates**

The Group's financial condition and results of operations could be affected by market risks that are outside its control, including, without limitation, volatility in profit rates, prices of securities and foreign exchange rates. Fluctuations in interest rates could adversely affect the Group's financial condition and results of operations in many ways. In particular, an increase in profit rates generally may decrease the value of the Group's fixed-income Islamic financing and investing assets and its investments in sukuk and may raise the Group's funding costs. As a result, the Group may experience a reduction in its net income. For an illustration of the possible scale of this risk, see note 47.4.2 to the 2020 Financial Statements and note 48.4.2 to the 2019 Financial Statements which contain sensitivity analyses in relation to changes in profit rates. Profit rates are sensitive to many factors beyond the Group's control, including the policies of central banks, such as the Central Bank and the U.S. Federal Reserve, political factors and domestic and international economic conditions.

The Group's financial condition and results of operations may also be affected by changes in the market value of its equity investment securities. The Group earns dividend income on these securities, realises gains and losses on the sale of securities and records unrealised gains and losses resulting from the fair valuation of these securities at each balance sheet date in its statement of comprehensive income. The level of the Group's income from its equity investment securities depends on numerous factors beyond the Group's control, such as overall market trading activity, interest rate levels, fluctuations in currency exchange rates and general market volatility.

Adverse movements in foreign exchange rates may also adversely impact the revenue and financial condition of the Group's depositors and borrowers, including those who are financed in, or make deposits in, foreign currencies or whose businesses have foreign currency exposures, which, in turn, may impact the Group's deposit base and the quality of its exposures to certain borrowers. For an illustration of the possible scale of this risk, see note 47.4.3 to the 2020 Financial Statements which includes tables summarising the Group's exposure to foreign currency exchange rate risk as at 31 December in each of 2020 and 2019. In general, the Group aims to advance foreign currency financing on terms that are generally similar to its foreign currency funding, thereby naturally hedging its exposure. Where this is not possible, it generally relies on derivative instruments to match the currencies of its assets and liabilities. Any open currency position is maintained within the limits set by the Central Bank. However, where the Group is not hedged, it is exposed to fluctuations in foreign exchange rates and any hedging strategy that it uses may not always be effective. Adverse movements in foreign exchange rates also may impact the creditworthiness of its depositors and finance counterparties negatively, which in turn may impact on its deposit base and the quality of its exposures to certain finance counterparties.

**The Group depends on complex information technology systems, the failure, ineffectiveness or disruption of which could have a material adverse effect on it**

The Group is dependent on sophisticated information technology (IT) systems, the failure, ineffectiveness or disruption of which could materially adversely affect its businesses.

The proper functioning of the Group's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its branches and main data processing centres, are critical to its business and ability to compete effectively. The Group's business activities would be materially disrupted if there is a partial or complete failure of any of these information technology systems or communications networks. Such failures can be caused by a variety of factors, many of which are wholly or partially outside the Group's control including natural disasters, extended power outages and computer viruses or other malicious intrusions, see "*— The Group's business is dependent on its IT systems which are subject to potential cyber-attack*" below.

The proper functioning of the Group's IT systems also depends on accurate and reliable data and other system input, which are subject to human errors. Any failure or delay in recording or processing the Group's transaction data could subject it to claims for losses and regulatory fines and penalties.

The Group relies on third party service providers for certain aspects of its business operations. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair the quality of the Group's operations and could impact its reputation.

The Group has implemented and tested business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective and any failure may have a material adverse effect on the Group's business and reputation.

**The Group's business is dependent on its IT systems which are subject to potential cyber-attack**

DIB recognises the importance of technology in building the Group's business capabilities with the ambition of accomplishing its objectives of growth, expansion and competitive market positioning. Technology is at the core of the Group's strategy and for that reason a digital technology roadmap is embedded within its business plans.

However, in common with other financial institutions globally, the threat to the security of the Group's information and customer data from security breaches and cyber-attacks presents a real and growing risk to its business. Activists, rogue states and cyber criminals are among those targeting IT systems around the world. Risks to technology and cyber-security evolve and change rapidly and require continued focus, monitoring and investment in preventative measures. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security.

A failure to adequately manage cyber-security risk and continually monitor, review and update current processes in response to new threats could have a number of material adverse effects on the Group, including disruption to its business, unauthorised disclosure of confidential information, significant financial and/or legal exposure and damage to its reputation.

**The Group's ability to manage operational risks is dependent upon its internal compliance systems, which might not be fully effective in all circumstances**

Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements or conduct of business rules, failure of internal systems, equipment and external systems (including those of the Group's counterparties or vendors) and the occurrence of natural disasters. The Group has a detailed operational risk framework which clearly defines the roles and responsibilities of individuals and units across different Group functions that are involved in performing various operational risk management tasks. The operational risk management framework is also aimed at ensuring that operational risks within those areas are properly identified, monitored, managed and reported.

The Group's ability to manage operational risk, including its ability to comply with all applicable regulations, is largely dependent on its maintenance of compliance, audit and reporting systems and procedures, and its ability to attract and retain personnel qualified to manage and monitor such systems and procedures. Although the Group is subject to external audit and oversight by regulatory authorities, including regular examination activity, performs regular internal audits to monitor and test its compliance systems, the Group cannot be certain that these systems and procedures will be fully effective in all circumstances, particularly in the case of deliberate employee misconduct or other frauds perpetrated against the Group. In the case of actual or alleged non-compliance with applicable regulations, the Group could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits for damages. Any of these could have a material adverse effect on the Group's business.

**The Group's risk management policies and procedures may not be effective in all circumstances and may leave it exposed to unidentified or unanticipated risks**

The Group's risk management strategies and internal controls may not be effective in all circumstances and may leave the Group exposed to unidentified or unanticipated risks. There can be no assurance that the Group's risk management and internal control policies and procedures will adequately control, or protect the Group against, all credit, liquidity, market, operational and other risks. In addition, certain risks may not be accurately quantified by the Group's risk management systems. Some of the Group's methods of managing risk are based upon the use of historical market data which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures, which could be significantly greater than historical measures indicate. In addition, certain risks could be greater than the Group's empirical data would otherwise indicate.

Other risk management methods depend upon evaluation of information regarding the markets in which the Group operates, its clients or other matters that are publicly available or information otherwise accessible to the Group. This information may not be accurate, complete, up-to-date or properly evaluated in all cases. Any material deficiency in the Group's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on the Group's business.

**The Group's business may be influenced by DIB's principal beneficial shareholder**

DIB's principal shareholder is the Government of Dubai, which directly and indirectly held 27.96 per cent. of DIB's share capital as at 23 March 2021. By virtue of this shareholding, the Government of Dubai has the ability to appoint the chairman of DIB's Board of Directors (the **Board**) and influence the Group's business through its influence on the Board and its ability to control certain actions that require 75 per cent. shareholder approval. If circumstances were to arise where the interests of the Government of Dubai or any

future major shareholder conflicts with the interests of the Certificateholders, Certificateholders could be disadvantaged by any such conflict.

**The Group's business is influenced by growth in its portfolio of Islamic financing and investing assets**

The Group's Islamic financing and investing assets and investments in bilateral sukuk after netting of impairment provisions, have grown from AED 137 billion (U.S.\$37 billion) as at 31 December 2017 to AED 202 billion (U.S.\$55 billion) as at 31 December 2020.

The increase in the Group's Islamic financing and investing assets portfolio during this period has increased its credit exposure. In addition, DIB's strategy of continuing to grow its core banking activities organically within the UAE by offering a wider range of products (in particular in relation to its retail businesses) and its acquisition of Noor Bank PJSC (**Noor Bank**) in 2020 may also increase the credit risk exposure in the Group's Islamic financing and investing assets portfolio. Any failure by DIB to manage growth and development successfully and to maintain the quality of the Group's assets could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

**A negative change in DIB's credit ratings could limit its ability to raise funding and may increase its borrowing costs**

DIB is currently rated A by Fitch with a "stable" outlook and A3 by Moody's with a "negative" outlook. Moody's changed the outlook on DIB's rating in June 2020 in line with that of most of the UAE banking sector due to the COVID-19 pandemic. These ratings, which are intended to measure DIB's ability to meet its debt obligations as they mature, are an important factor in determining DIB's cost of wholesale funding.

A downgrade of any of DIB's credit ratings, or a negative change in outlook, may limit the Group's ability to raise wholesale funding and increase its cost of wholesale funding, which could adversely affect its business, financial condition, results of operations and prospects. A downgrade of any of DIB's credit ratings (or announcement of a negative change in ratings outlook) may also limit the Group's ability to raise capital. Moreover, actual or anticipated changes in DIB's credit rating could adversely affect the price at which the Certificates are traded in the secondary market.

**The Group may become subject to increasingly intense competition**

The Group faces competition in all of its business areas from locally incorporated and foreign banks operating in the UAE. The Group also faces competition from both Islamic banks and conventional banks. According to the Central Bank's data, there were, as at 31 December 2020, 58 different banks (comprising 21 locally incorporated banks and 37 foreign banks (including 10 wholesale banks)) licensed to operate inside the UAE (excluding the DIFC). There are also an increasing number of institutions offering Islamic financial products and services within the UAE. As at 31 December 2020, there were 10 Islamic banks, in addition to a number of other financial institutions, offering Islamic products and solutions. Other financial institutions may also consider offering Shari'a-compliant products in the future.

The financial institutions market in the UAE has generally been a relatively protected market with high regulatory and other barriers to entry for foreign financial institutions. However, should some of these barriers be removed or eased in the future, either voluntarily or as a result of the UAE's obligations to the World Trade Organisation, the GCC or any other similar entities, this would likely lead to a more competitive environment for the Group and other domestic financial institutions and could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

**Any alteration to, or abolition of, the foreign exchange "peg" of the dirham at a fixed exchange rate to the U.S. dollar will expose the Group to U.S. dollar foreign exchange movements against the dirham**

The Group maintains its accounts, and reports its results, in dirham. The dirham has been 'pegged' at a fixed exchange rate to the U.S. dollar since 22 November 1980. However, there can be no assurance that the dirham will not be de-pegged in the future or that the existing peg will not be adjusted in a manner that

adversely affects the Group's results of operations and financial condition. Any such de-pegging or adjustment, particularly if the dirham weakens against the U.S. dollar, could have an adverse effect on the Group's business, results of operations, financial condition and prospects. For example, the 2020 Financial Statements, in note 47.4.3, contain a sensitivity analysis that shows that a 2 per cent. change in the exchange rate of the U.S. dollar against the dirham (with all other variables held constant) in 2020 would have impacted the Group's statement of profit or loss (due to the changes in the fair values of currency sensitive non-trading monetary assets and liabilities) by AED 608 million.

#### **The Group is party to litigation related to the terrorist attacks on New York City on 11 September 2001**

In 2002, DIB was named as a defendant in eight civil lawsuits filed in various federal district courts in the United States that relate to the terrorist attacks on 11 September 2001. The plaintiffs in these lawsuits include victims of the terrorist attacks, the families or estates of deceased victims, the leaseholders of the World Trade Center properties, and certain insurance companies that suffered losses as a result of the attacks. In total, the lawsuits named hundreds of defendants. The defendants included, among other entities and organisations, Islamic charities, other major financial institutions in the Middle East and individuals. The complaints filed in these lawsuits made allegations against DIB, including that DIB provided material support and assistance to Al Qaeda and that it knew or should have known it was aiding and abetting, and enabling the terrorists that perpetrated the attacks. The plaintiffs have not enumerated all of their alleged damages that they are seeking to recover in these cases.

In December 2003, the United States Judicial Panel on Multi-District Litigation consolidated the actions against DIB and the other defendants in the Federal District Court in the Southern District of New York (the **New York Federal Court**). In May 2005, DIB filed a motion to dismiss all eight actions with the New York Federal Court. In June 2010, the New York Federal Court denied DIB's motion to dismiss due to the allegations by the plaintiffs that DIB intentionally and knowingly provided support to Al Qaeda.

Subsequently, plaintiffs in two of the civil lawsuits against DIB dismissed their claims against DIB (one in August 2010 and the other in March 2011). Accordingly, six civil lawsuits against DIB remain pending as of the date of this Prospectus. DIB is currently in the discovery phase of this litigation. During the first part of the discovery phase, the document discovery phase, the parties exchanged relevant documents (this was completed by DIB in late 2012, but was subsequently extended a number of times as the plaintiffs then asked for further documentation). The document discovery phase has now concluded for DIB. The parties have also completed the next step in the discovery phase, the fact witness deposition phase, where the parties identify and take testimony of relevant witnesses in depositions under oath. The parties are now in the final discovery phase of expert discovery, where the parties identify and exchange reports from relevant expert witnesses. Parties will then have an opportunity to take the testimony of the expert witnesses in depositions under oath. Once discovery is completed, DIB can seek its dismissal from all of the civil lawsuits by moving for summary judgment.

DIB believes that it has meritorious defences to the remaining pending claims, has defended itself and intends to continue to defend itself vigorously. No provision has been made in respect of any outstanding 9/11 legal proceedings against DIB as professional advice indicates that it is unlikely that any significant or material costs or loss, other than legal costs in connection with the defence, are expected to be incurred, although U.S. litigation is by its nature uncertain and it is therefore not always possible to accurately predict any outcome in terms of withdrawals, dismissal or ultimate liability.

Adverse publicity in relation to the 9/11 claims could affect DIB's reputation, particularly outside the UAE. In addition, if such claims, either in aggregate or individually, were to be successful, and substantial damages and/or penalties were to be assessed against DIB, these could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

**The Group conducts the majority of its business in a region which is subject to political, economic and related considerations**

As at 31 December 2020, 89 per cent. of the Group's assets were located in the UAE. Given that the Group has the majority of its operations in the UAE, its operations have previously been and may continue to be affected by economic and political developments impacting the UAE, in particular, the level of economic activity in the UAE.

DIB's business is, and will continue to be, affected by economic and political developments in or affecting the UAE and the MENA region and investors' reactions to developments in one country may affect securities of issuers in other markets, including the UAE. Following the significant fall in global crude oil prices in the middle of 2014, the UAE and other major oil and gas producing countries in the region experienced slower economic growth, increased budget deficits and lower public spending. Although many countries had started to recover by 2019, the impact of the COVID-19 pandemic in 2020 is expected to result in weaker economic performance in 2021 and potentially in subsequent years, see "*The Group's business, financial condition, results of operations and prospects are and will continue to be affected by economic conditions and the impact of COVID-19 on the UAE's economy is likely to materially adversely impact the Group*" above.

Although Dubai and the UAE enjoy domestic political stability and generally healthy international relations, as they are located in the MENA region, there is a risk that regional geopolitical instability could impact them. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Algeria, Bahrain, Egypt, Iran, Iraq, Libya, Oman, Saudi Arabia, Syria, Tunisia, Turkey and Yemen. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict (including the multinational conflict with Islamic State (also known as Daesh, ISIS or ISIL)) and has given rise to increased political uncertainty across the region. In addition, DIB's wholly-owned subsidiary, DIB Pakistan Ltd., and its associate, the Bank of Khartoum, are, in common with all other industries in the Islamic Republic of Pakistan and Sudan, respectively, affected by ongoing political uncertainty. From 2019, tensions in the Gulf region have increased following the seizure by Iran of a British tanker in July 2019 and, more broadly, due to several incidents with oil tankers in the Strait of Hormuz. On 14 September 2019, the Abqaiq processing facility and the Kuraish oil field in Saudi Arabia were damaged to a significant extent in apparent drone attacks, which caused an immediate significant reduction in the output of Saudi Aramco, Saudi Arabia's national oil company. There can be no assurance that a similar incident could not occur elsewhere in the Gulf region. Furthermore, the 2 January 2020 killing of the prominent Iranian military commander, General Qasem Soleimani, and subsequent political developments in Iraq have resulted in military action being taken by Iran against the United States and its interests in the region.

Whilst DIB's business has not been directly impacted by any political unrest to date, it is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact of such occurrences, and no assurance can be given that DIB would be able to sustain its current profit levels if adverse political events or circumstances were to occur in the UAE or any other country in which it had material operations at the time.

Investors should also note that the Group's business and financial performance could be adversely affected by political, economic or related developments both within and outside the MENA region because of interrelationships within the global financial markets.

The economic and/or political factors which could adversely affect the Group's business, financial condition, results of operations and prospects include:

- regional political instability, including government or military regime change, riots or other forms of civil disturbance or violence, including through acts of terrorism;
- military strikes or the outbreak of war or other hostilities involving nations in the region;
- a material curtailment of the industrial and economic infrastructure development that is currently underway across the MENA region;



- a material increase in costs of funds in the UAE resulting from a material reduction in liquidity in the UAE financial markets;
- government intervention, including expropriation or nationalisation of assets or increased levels of protectionism;
- an increase in inflation and the cost of living;
- cancellation of contractual rights, expropriation of assets and/or inability to repatriate profits and/or dividends;
- increased government regulations, or adverse governmental activities, with respect to price, import and export controls, the environment, customs and immigration, capital transfers, foreign exchange and currency controls, labour policies and land and water use and foreign ownership;
- arbitrary, inconsistent or unlawful government action;
- changing tax regimes, including the imposition of taxes in tax favourable jurisdictions such as the UAE;
- difficulties and delays in obtaining governmental and other approvals for operations or renewing existing ones; and
- inability to repatriate profits or dividends.

There can be no assurance that either the economic performance of, or political stability in, the countries in which the Group currently operates, or may in the future operate, can or will be sustained. To the extent that economic growth or performance in these countries or the MENA region as a whole slows or begins to decline, or political conditions deteriorate materially in any of those countries, the Group's business, financial condition, results of operations and prospects may be adversely affected.

### **Risks relating to the Certificates**

#### ***Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit will be permanently written-down upon the occurrence of a Non-Viability Event***

If a Non-Viability Event (as defined below) occurs at any time, the Prevailing Face Amount of the Certificates then outstanding will be written-down in whole or, in exceptional cases, in part on a *pro rata* basis, in each case, as solely determined by the Financial Regulator. See "*The circumstances triggering a Write-down are unpredictable*". Pursuant to a Write-down, the rights of any Certificateholder for payment of any amounts under or in respect of the Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a DIB Event) in a proportion corresponding to the relevant Write-down Amount (and any related unpaid Periodic Distribution Amounts) shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Event or notice in relation thereto and, in the case of a Write-down in whole, the Certificates shall be cancelled.

In exceptional cases in which a Write-down in part is required by the Financial Regulator, a Write-down may occur on one or more occasions as solely determined by the Financial Regulator provided, however, that the face amount of a Certificate shall never be reduced to below nil.

Furthermore, upon the occurrence of any Write-down in part pursuant to Condition 11, Periodic Distribution Amounts will accrue on the reduced face amount of the Certificates and its payment is subject to a Non-Payment Event (including, without limitation, DIB having insufficient Distributable Items and, if applicable, any payment restrictions due to breach of any capital buffers imposed on DIB by the Financial Regulator) or a Non-Payment Election having occurred. See "*Payments of Periodic Distribution Amounts are*

*conditional upon certain events and may be cancelled and are non-cumulative".* Also, any amounts arising as a result of, or due and payable upon the occurrence of, a DIB Event or any redemption at the option of the Trustee (upon the instructions of DIB (acting in its sole discretion)) (a) on the First Call Date or on any date thereafter up to and including the First Reset Date or on any Periodic Distribution Date following the First Reset Date (each a **Call Date**) or (b) upon the occurrence of a Tax Event or a Capital Event will be by reference to such reduced face amount of the Certificates.

The Conditions do not in any way impose restrictions on DIB following a Write-down, including restrictions on making any distribution or equivalent payment in connection with any Junior Obligations (including, without limitation, any common shares of DIB) or any Pari Passu Obligations.

Certificateholders will lose all or some of their investment in the Certificates as a result of a Write-down and moreover, in such event, it is likely that Certificateholders will suffer losses in respect of their investment in the Certificates ahead of DIB's shareholders. Investors should also be aware that the application of a non-viability loss absorption feature as contained in Condition 11 has not been tested in the UAE.

A **Non-Viability Event** means that the Financial Regulator has notified DIB in writing that it has determined that DIB is, or will become, Non-Viable without: (a) a Write-down; or (b) a public sector injection of capital (or equivalent support).

DIB shall be **Non-Viable** if (a) it is insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business or (b) any other event or circumstance occurs, which is specified as constituting non-viability by the Financial Regulator or in applicable banking regulations.

***Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit will be fully and permanently written-down upon any of the Solvency Conditions not being satisfied at any time or a bankruptcy order in respect of DIB being issued***

If any of the Solvency Conditions (as defined below) is not satisfied on any date on which any payment obligation under the Mudaraba Agreement is due or a bankruptcy order in respect of DIB has been issued by a court in the UAE, all rights of the Certificateholders for payment of any amounts under or in respect of the Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a DIB Event) shall be extinguished and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to such date. As a result, Certificateholders will lose the entire amount of their investment in the Certificates.

Furthermore, any indication or perceived indication that any of the Solvency Conditions may not be satisfied or that such a bankruptcy order may be issued may have a material adverse effect on the market price of the Certificates.

***The circumstances triggering a Write-down are unpredictable***

The occurrence of a Non-Viability Event is inherently unpredictable and depends on a number of factors, many of which are outside of DIB's control. The occurrence of a Non-Viability Event is subject to, *inter alia*, a subjective determination by the Financial Regulator. As a result, the Financial Regulator may require a Write-down in circumstances that are beyond the control of DIB and with which DIB may not agree. Furthermore, although the Conditions provide that the Financial Regulator may require a Write-down in whole or in part upon the occurrence of a Non-Viability Event, the current stated position of the Financial Regulator is that a Write-down in whole will apply in all such cases save only in exceptional cases as determined by the Financial Regulator in its sole discretion. See "*–Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit will be permanently written-down upon the occurrence of a Non-Viability Event*".

Prospective investors should also be aware that the application of a non-viability loss absorption feature similar to Condition 11 has not been tested in the UAE and therefore some degree of uncertainty exists in its application. The exercise (or perceived likelihood of exercise) of any such power by the Financial Regulator or any suggestion of such exercise could materially adversely affect the value of the Certificates and could lead to the Certificateholders losing some or all of their investment in the Certificates. As a result of a Write-down, a holder may suffer a loss in respect of its holding of the Certificates ahead of, or without, any loss being required to be borne by a shareholder of DIB in respect of its shareholding.

The financial viability of DIB will also depend in part on decisions made by DIB in relation to its business and operations, including the management of its capital position. In making such decisions, DIB may not have regard to the interests of Certificateholders and, in particular, the consequences for Certificateholders of any such decisions and there can be no assurance in any such circumstances that the interests of DIB, its shareholders and the Financial Regulator will be aligned with those of the Certificateholders.

***The payment obligations of DIB under the Mudaraba Agreement are subordinated and unsecured obligations***

Payments of Periodic Distribution Amounts and the Dissolution Distribution Amount will be made by the Trustee provided that DIB (as Mudareb) shall have paid to the Trustee amounts equal to such Periodic Distribution Amount and Dissolution Distribution Amount, respectively, pursuant to the terms of the Mudaraba Agreement. In this regard, prospective investors should note that the payment obligations of DIB under the Mudaraba Agreement are subordinated to the claims of the Senior Creditors and rank *pari passu* to the Pari Passu Obligations, as more particularly described in Condition 4.2. Potential investors should note that payment of all amounts by DIB under the Mudaraba Agreement (and consequently, the corresponding payments by the Trustee under the Conditions) are conditional upon:

- (i) DIB (in its capacity as Mudareb or otherwise) being Solvent at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable;
- (ii) DIB (in its capacity as Mudareb or otherwise) being capable of making payment of the Relevant Obligations and any other payment that is due to be made on the relevant date to a creditor in respect of all Senior Obligations and all Pari Passu Obligations and still be Solvent immediately thereafter; and
- (iii) the total share capital (including, without limitation, retained earnings) of DIB being greater than zero at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable,

(together, the **Solvency Conditions**).

Further, the payment obligations of DIB under the Mudaraba Agreement are unsecured and no collateral is or will be given by DIB in relation thereto.

Notwithstanding any other provision in the Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of DIB has been issued by a court in the UAE, all claims of the Trustee in respect of the Relevant Obligations will be extinguished and the Certificates will be cancelled without any further payment to be made by DIB in respect of the Relevant Obligations. As a result, Certificateholders would lose the entire amount of their investment in the Certificates.

The Trustee may exercise its enforcement rights in relation to the Mudaraba Agreement only in the manner provided in Condition 12.3. If a DIB Event occurs and DIB has failed to satisfy any of the Solvency

Conditions or if a bankruptcy order in respect of DIB has been issued by a court in the UAE, all claims of the Trustee in respect of the Relevant Obligations will be extinguished and the Certificates will be cancelled without any further payment to be made by DIB in respect of the Relevant Obligations.

***No limitation on issuing senior securities; subordination***

Other than the limitations in relation to the issue of further Tier 1 Capital by DIB as set out in Condition 4.3 which limits the circumstances in which Tier 1 Capital of DIB can be issued that ranks senior to the Certificates, there is no restriction in the Conditions or in the terms of the Transaction Documents on DIB (in its capacity as Mudareb or otherwise) incurring additional financing or issuing securities or creating any guarantee or contractual support arrangement which would rank senior to the Certificates and the obligations of DIB under the Mudaraba Agreement (**DIB Senior Obligations**). The issue of or the creation of any such DIB Senior Obligations may reduce the likelihood of the Solvency Conditions being met and/or the amount recoverable by Certificateholders on a winding-up of DIB. See also "*The payment obligations of DIB under the Mudaraba Agreement are subordinated and unsecured obligations*".

***Payments of Periodic Distribution Amounts are conditional upon certain events and may be cancelled and are non-cumulative***

DIB may elect, in its sole discretion and by instructing the Trustee to such effect, not to make payment of a Periodic Distribution Amount to Certificateholders on the corresponding Periodic Distribution Date including, without limitation, if DIB incurs a net loss during the relevant financial period, except that no such election may be made in respect of the Periodic Distribution Amount payable on the date on which the Certificates are, at DIB's discretion, to be redeemed.

In addition, if a Non-Payment Event (detailed below) occurs, DIB (in its capacity as Mudareb) shall be prohibited from paying Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit on any Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be) pursuant to the Mudaraba Agreement, and as a result thereof the Trustee shall be prohibited from paying Periodic Distribution Amounts to the Certificateholders on the corresponding Periodic Distribution Date.

A **Non-Payment Event** is any of the following events:

- (i) the amount equal to the then applicable Periodic Distribution Amount (which for the purposes of the Conditions includes Additional Amounts as referred to in Condition 13) to be paid by DIB out of the Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as applicable (the **Relevant Rab-al-Maal Mudaraba Profit Amount**), when aggregated with any distributions or amounts payable by DIB (in its capacity as Mudareb or otherwise) on the same date (or otherwise due and payable on such date) on any other obligations in respect of Pari Passu Obligations, exceeds, on the relevant date for payment of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, Distributable Items; or
- (ii) DIB (in its capacity as Mudareb or otherwise) is, on that Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be), in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to a breach of any capital buffers imposed on DIB by the Financial Regulator) or payment of the Relevant Rab-al-Maal Mudaraba Profit Amount (as applicable) to the Trustee would cause it to be in breach thereof; or
- (iii) the Financial Regulator requires (a) DIB not to pay the Relevant Rab-al-Maal Mudaraba Profit Amount to the Trustee on that Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be) or (b) the Trustee not to pay the relevant Periodic Distribution Amount on that Periodic Distribution Date, in each case, for any reason as it may deem necessary; or

- (iv) the Solvency Conditions are not satisfied (or would no longer be met if the Relevant Rab-al-Maal Mudaraba Profit Amount was paid),

as more particularly provided in Condition 8.1.

In relation to limb (i) above, as at the Issue Date, **Distributable Items** means the amount of DIB's consolidated retained earnings and reserves, including general reserves, special reserves and statutory reserves (to the extent not restricted from distribution by applicable law) after the transfer of any amounts to non-distributable reserves, all as set out in its latest audited or (as the case may be) auditor reviewed consolidated financial statements, or any equivalent or successor term from time to time as prescribed by the Capital Regulations, including the applicable criteria for Tier 1 Capital that do not constitute Common Equity Tier 1 Capital. As at 31 December 2020, DIB's Distributable Items amounted to AED 9,899,162,000.

However, current guidance issued by the Financial Regulator has indicated that the definition of "Distributable Items" may in the future be calculated by reference to the latest audited or (as the case may be) auditor reviewed non-consolidated financial statements. To the extent that this change comes into effect in the future, DIB may be required to prepare audited and auditor reviewed non-consolidated financial statements given that it currently only prepares audited and auditor reviewed consolidated financial statements and, in such circumstances the level of Distributable Items as so calculated might be lower than otherwise would be the case if the change does not take effect.

In relation to limb (ii) above, payment restrictions will also apply in circumstances where DIB does not meet certain capital buffer requirements, namely, payment restrictions in an amount equal to the Maximum Distributable Amount (as defined below) if the combined capital buffer requirement is not satisfied pursuant to the Capital Regulations. In the event of a breach of the combined buffer requirement, under the Capital Regulations, the restrictions will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of DIB's profits for the most recent relevant period. Such calculation will result in a maximum distributable amount (the **Maximum Distributable Amount**) in each relevant period. As an example, the scaling is such that in the lowest quartile of the combined buffer requirement, no discretionary distributions will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement it may be necessary to reduce payments that would, but for the breach of the combined buffer requirement, be discretionary, including Periodic Distribution Amounts in respect of the Certificates. In such circumstances, the aggregate amount of distributions which DIB can make on account of dividends, Periodic Distribution Amounts and redemption amounts on its Additional Tier 1 instruments (including the Certificates) and certain variable remuneration (such as bonuses) or discretionary pension benefits will be limited. Furthermore, there can be no assurance that the combined buffer requirement applicable to DIB will not be increased in the future, which may exacerbate the risk that discretionary distributions, including payments of Periodic Distribution Amounts in respect of the Certificates, are cancelled.

In the absence of notice of a Non-Payment Election or a Non-Payment Event, as the case may be, having been given in accordance with Condition 8.3, the fact of non-payment of the relevant Periodic Distribution Amount on the relevant Mudaraba Profit Distribution Date or Mudaraba End Date, as the case may be, shall be evidence of the occurrence of a Non-Payment Election or a Non-Payment Event, as the case may be. Accordingly, the Certificateholders shall have no claim in respect of any Periodic Distribution Amount not paid as a result of either a Non-Payment Election or a Non-Payment Event (irrespective of whether notice of such Non-Payment Election or Non-Payment Event, as the case may be, has been given in accordance with Condition 8.3) and the consequential non-payment of any Periodic Distribution Amount in such a circumstance shall not constitute a Dissolution Event. DIB shall not have any obligation to make any subsequent payment in respect of any such unpaid profit (whether from its own cash resources, from the Mudaraba Reserve or otherwise) (which shall be credited by DIB to the Mudaraba Reserve) and the Trustee will not have any obligation to make any subsequent payment in respect of any such Periodic Distribution Amounts.

If such a situation occurs, the Certificateholders shall not receive Periodic Distribution Amounts on their investment in the Certificates and neither the Trustee nor the Certificateholders shall have any claim in respect thereof. Any non-payment of Periodic Distribution Amounts or perceived risk of such non-payment may have a material adverse effect on the market value of the Certificates.

***The Certificates are perpetual securities***

The Certificates are perpetual securities which have no scheduled payment date. The Trustee is under no obligation to redeem the Certificates at any time and the Certificateholders have no right to call for their redemption unless a DIB Event occurs.

The DIB Events and Certificateholders' rights following a DIB Event are set out in Condition 12. See also "*The Conditions contain limited Dissolution Events and remedies*".

In certain circumstances DIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, redeem the Certificates, including on any Call Date and if a Tax Event or a Capital Event occurs, as more particularly described in Condition 10, although there is no assurance that DIB will require it to do so.

Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Certificates indefinitely, unless:

- (i) the Trustee (upon the instructions of DIB (acting in its sole discretion)) redeems the Certificates in accordance with Condition 10;
- (ii) the Trustee is required by the Delegate (including as requested in writing by the Certificateholders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding or as directed by an Extraordinary Resolution of the Certificateholders), following a DIB Event to redeem the Certificates; or
- (iii) they sell their Certificates.

The exercise of (or perceived likelihood of exercise of) any such redemption feature of the Certificates may limit their market value, which is unlikely to rise substantially above the price at which the Certificates can be redeemed.

If the Certificates are redeemed, there can be no assurance that Certificateholders will be able to reinvest the amount received upon redemption in a comparable security at a rate that will provide the same rate of return as their investment in the Certificates. Potential investors should consider reinvestment risk in light of other investments available at that time.

***The Certificates will cease to accrue profit from the due date for redemption (if any)***

Investors are advised that each Certificate will cease to accrue profit from the due date for redemption (following liquidation of the Mudaraba). Consequently, should payments owing to Certificateholders on the due date for redemption (if any) be received by them after the due date for any reason, no additional profit payment, late payment amount or other equivalent amount will be payable in respect of such delay. See Condition 7.3.

***The Conditions contain limited Dissolution Events and remedies***

The Certificates are perpetual instruments with no fixed redemption date and there is no obligation on the Trustee to pay the face amount of the Certificates other than in accordance with Condition 10.1(b), Condition 10.1(c), Condition 10.1(d) or following the occurrence of a DIB Event in accordance with Condition 12.1. In addition, the Trustee may be prohibited from making, or instructed by DIB not to make,

payments of Periodic Distribution Amounts on the Certificates in accordance with Condition 8 and Periodic Distribution Amounts will not therefore be due other than in the limited circumstances described in the Conditions.

The Dissolution Events in the Conditions are limited to: (a) DIB Events (being (i) DIB failing to pay an amount which is equivalent to principal (being capital amounts, including the Mudaraba Capital, payable in accordance with the provisions of the Mudaraba Agreement) or profit (including Additional Amounts) due and payable by it pursuant to the Mudaraba Agreement and the failure continuing for a period (in the case of principal) of seven days or (in the case of profit) fourteen days (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Election or a Non-Payment Event); (ii) a final determination being made by a court or other official body that DIB is insolvent or bankrupt or unable to pay its debts including any financing arrangement issued (or intended to be issued) in compliance with the principles of Shari'a and which is treated as debt for the purposes of applicable law, in each case whether entered into directly or indirectly by DIB; (iii) an administrator being appointed, an order being made or an effective resolution being passed for the winding-up or dissolution or administration of DIB or if DIB applies or petitions for a winding-up or administration order in respect of itself or ceases, or through an official action of its Directors threatens to cease, to carry on all or substantially all of its business or operations, except, in each case (a) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders or (b) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or (iv) any event occurring which, under the laws of the UAE, has an analogous effect to any of the events referred to in (ii) or (iii) above); and (b) Trustee Events (being similar in nature to DIB Events in respect of the Trustee), all as more fully described in the Conditions.

Moreover, pursuant to Condition 12, upon the occurrence of any DIB Event and the delivery of a Dissolution Notice, the Mudaraba will be liquidated in accordance with the provisions of the Mudaraba Agreement and the remedies available to the Trustee, the Delegate and/or the Certificateholders (as applicable) are limited to giving notice to the Trustee and DIB that the Certificates are, and shall immediately become, due and payable at the applicable Prevailing Face Amount together with any Outstanding Payments and thereafter: (i) instituting any steps, actions or proceedings for the winding-up of DIB and/or (ii) proving in the winding-up of DIB and/or (iii) instituting any steps, actions or proceedings for the bankruptcy of DIB and/or (iv) claiming in the liquidation of DIB and/or (v) taking such other steps, actions or proceedings which, under the laws of the UAE, have an analogous effect to the actions referred to in (i) to (iv) above, in each case, for all amounts of Mudaraba Capital, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit and/or other amounts due to the Trustee on termination of the Mudaraba Agreement in accordance with its terms and the terms of the other Transaction Documents. Therefore, it will only be possible to enforce claims for payment of the applicable Dissolution Distribution Amount and/or Periodic Distribution Amounts in respect of the Certificates when the same have become due pursuant to the Mudaraba Agreement and the Conditions.

Furthermore, the claims of Senior Creditors of DIB will first have to be satisfied in any winding-up, bankruptcy, dissolution, liquidation or analogous proceedings before the Certificateholders may expect to obtain any amounts in respect of their Certificates and prior thereto Certificateholders will have only limited (if any) ability to influence the conduct of such winding-up, liquidation or analogous proceedings.

In addition, if a DIB Event occurs and DIB has failed to satisfy any of the Solvency Conditions or if a bankruptcy order in respect of DIB has been issued by a court in the UAE, all claims of the Trustee in respect of the Relevant Obligations will be extinguished and the Certificates will be cancelled without any further payment to be made by DIB in respect of the Relevant Obligations.

### ***Resettable fixed rate instruments have a market risk***

A holder of an instrument with a fixed profit (or equivalent) rate that will be reset during the term of the instrument (as will be the case for the Certificates with effect from each Reset Date if not previously redeemed and/or purchased and cancelled) is exposed to the risk of fluctuating profit rate levels and uncertain profit rate income. While the expected profit rate on the Certificates is fixed until the First Reset Date (with a reset of the initial profit rate on the First Reset Date as set out in the Conditions and every six years thereafter), the current investment return rate in the capital markets (the market return rate) typically changes on a daily basis. As the market return rate changes, the market value of the Certificates may also change, but in the opposite direction. If the market return rate increases, the market value of the Certificates would typically decrease. If the market return rate falls, the market value of the Certificates would typically increase. Certificateholders should be aware that movements in these market return rates can adversely affect the market value of the Certificates and can lead to losses for the Certificateholders if they sell the Certificates.

### ***Variation upon the occurrence of a Capital Event or a Tax Event***

Upon the occurrence and continuation of a Capital Event or a Tax Event, DIB may (acting in its sole discretion), instruct the Trustee to, whereupon the Trustee shall, subject as provided in Condition 10.1(c) or 10.1(d) (as the case may be) and without any requirement for consent or approval of the Certificateholders, vary the terms of the Mudaraba Agreement (subject to the approval of the Fatwa and Sharia Supervisory Board of DIB) and the Certificates such that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments.

A **Capital Event** is deemed to have occurred if DIB is notified in writing by the Financial Regulator to the effect that the face amount (or the amount that qualifies as regulatory capital, if some amount of the Certificates are held by DIB or whose purchase is funded by DIB) of the Certificates outstanding would cease to be eligible to qualify, in whole or in part, for inclusion in the consolidated Tier 1 Capital of DIB (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital), and provided that DIB satisfies the Financial Regulator that such non-qualification was not reasonably foreseeable at the time of the issuance of the Certificates. A **Tax Event** will arise if DIB or the Trustee (as the case may be) would, as a result of a Tax Law Change, in making any payments under the Mudaraba Agreement or on the Certificates (as the case may be) on the next due date for such payment, be required to pay Additional Amounts (and such requirement cannot be avoided by DIB or the Trustee (as the case may be) taking reasonable measures available to it), and provided that DIB satisfies the Financial Regulator that such Tax Law Change was not reasonably foreseeable at the time of the issuance of the Certificates. The consequences following the occurrence of each of a Tax Event and a Capital Event are more particularly described in Condition 10.1.

The tax and stamp duty consequences of holding the Certificates following variation as contemplated in Condition 10.1 could be different for certain Certificateholders from the tax and stamp duty consequences for them of holding the Certificates prior to such variation and none of the Trustee, the Delegate or DIB shall be responsible to any Certificateholder for any such consequences in connection therewith. Further, while the Conditions stipulate that the variation (as contemplated by the Conditions) must not be materially less favourable to the Certificateholders, no assurance can be given as to whether any of these changes will negatively affect any particular Certificateholder.

### ***The Certificates are limited recourse obligations***

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Trustee in respect of the Certificates is limited to the Trust Assets and the proceeds of the Trust Assets are the sole source of payments on the Certificates. Upon receipt by the Trustee of a Dissolution Notice in accordance with the terms of Condition 12.1, the sole rights of each of the Trustee and/or the Delegate (acting on behalf of the Certificateholders), will be (subject



to Condition 12.3) against DIB to perform its obligations under the Transaction Documents. Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents) or of the Delegate or the Agents or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets. DIB is obliged to make certain payments under the Transaction Documents directly to the Trustee, and the Trustee and/or the Delegate will have recourse against DIB to recover such payments due to the Trustee pursuant to the Transaction Documents.

After enforcing or realising the rights in respect of the Trust Assets and distributing the net proceeds of such Trust Assets in accordance with Condition 5.3, the obligations of the Trustee and/or the Delegate in respect of the Certificates shall be satisfied and neither the Trustee nor the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and DIB shall be (in accordance with Condition 12.3), to enforce their respective obligations under the Transaction Documents.

#### ***Absence of secondary market/limited liquidity***

There is no assurance that a secondary market for the Certificates will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of the Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, may have a material adverse effect on the market value of the Certificates. The Certificates generally may have a more limited secondary market liquidity and may be subject to greater price volatility than conventional debt securities as they are perpetual securities (see "*The Certificates are perpetual securities*"), are subordinated (see "*The payment obligations of DIB under the Mudaraba Agreement are subordinated and unsecured obligations*"), will be permanently written-down upon the occurrence of a Non-Viability Event (see "*Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit will be permanently written-down upon the occurrence of a Non-Viability Event*") and payments of Periodic Distribution Amounts may be restricted in certain circumstances (see "*Payments of Periodic Distribution Amounts are conditional upon certain events and may be cancelled and are non-cumulative*").

Application has been made for the Certificates to be admitted to the Official List and the DFSA Official List and for such Certificates to be admitted to trading on the Euronext Dublin Regulated Market and Nasdaq Dubai. However, there can be no assurance that any such listing or admission to trading will occur on or prior to the Issue Date or at all or, if it does occur, that it will enhance the liquidity of the Certificates.

Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates.

#### ***The Certificates may be redeemed early or purchased subject to certain requirements***

At its option in connection with any Call Date or otherwise at any time upon the occurrence of a Tax Event or a Capital Event and subject to a Non-Viability Event not having occurred (or if a Non-Viability Event has occurred, a Write-down in part having taken place in accordance with the instructions of the Financial Regulator), DIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall give not less than 10 nor more than 15 days' prior notice to the Certificateholders in accordance with Condition 17 and the Delegate in accordance with the Declaration of Trust and, provided that, any such notice has not been revoked by the Trustee (upon the instructions of DIB (acting in its sole discretion)) by giving notice of such revocation to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance

with the Declaration of Trust and a Non-Viability Event has not occurred after the giving of such notice and, in each case prior to the redemption date specified in the initial notice, redeem in accordance with the Conditions, all, but not some only, of the Certificates at the applicable Prevailing Face Amount together with any accrued but unpaid Periodic Distribution Amounts (as more particularly described in Conditions 10.1(b), 10.1(c) and 10.1(d), respectively).

Any redemption of the Certificates is subject to the requirements in Condition 10.1(a), including obtaining the prior written consent of the Financial Regulator. There can be no guarantee that the consent of the Financial Regulator will be received on time or at all.

There is no assurance that the Certificateholders will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Certificates. During any period when DIB may instruct the Trustee to redeem the Certificates, the market value of the Certificates generally will not rise substantially above the Trustee Call Amount, the Tax Redemption Amount or the Capital Event Amount (as applicable) payable. Potential investors should consider re-investment risk in light of other investments available at that time.

The exercise of (or perceived likelihood of exercise of) the redemption features of the Certificates may limit their market value, which is unlikely to rise substantially above the price at which the Certificates can be redeemed.

Any purchase of the Certificates by DIB or any of its Subsidiaries is subject to the requirements in Condition 10.2, including (to the extent then required by the Financial Regulator and/or the Capital Regulations) obtaining the prior written consent of the Financial Regulator. There can be no guarantee that the written consent of the Financial Regulator will be received on time or at all, particularly as the current stated position of the Financial Regulator is that it will provide such written consent in exceptional cases only.

### ***Investment in the Mudaraba Assets***

Pursuant to the Mudaraba Agreement, the proceeds of the issuance of the Certificates will be contributed by the Trustee (as Rab-al-Maal) to the Mudareb which proceeds shall form the initial capital of the Mudaraba (the **Mudaraba Capital**). The Mudaraba Capital will be invested by DIB (as Mudareb) on an unrestricted co-mingling basis in its general business activities carried out through the General Mudaraba Pool and, following investment of the Mudaraba Capital in the General Mudaraba Pool, the Mudaraba Capital shall constitute *pro rata* undivided assets in the General Mudaraba Pool (the **Mudaraba Assets**), with a view to earning profit therefrom, which will in turn be applied towards payments due to Certificateholders in respect of the Certificates.

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Mudaraba Assets. The investment activities of the Mudaraba will be carried out by DIB, and the Certificateholders shall have no ability to influence such activities. DIB shall be granted the express entitlement to co-mingle any of its own assets with the Mudaraba Assets on a basis proportionate to the rights and obligations of holders of equity of DIB and as a result it will not be possible to identify the Mudaraba Assets separately from the assets of DIB.

If any of the risks relating to the business of DIB mentioned above (see "*Risks Relating to the Group*") materialise or otherwise impact DIB's business, the value of and profit earned from the investment in such Mudaraba Assets may decrease which may, in turn, have a material adverse effect on DIB's ability to fulfil its payment obligations under the Mudaraba Agreement and consequently, the Trustee's ability to make payments in respect of the Certificates.

Furthermore, whilst the Mudareb has agreed in the Mudaraba Agreement to ensure that the Mudaraba Capital is invested in accordance with the Investment Plan (and with the degree of skill and care that it

would exercise in respect of its own assets), the Mudaraba Agreement also provides that there is no guarantee of any return from the Mudaraba Assets. In addition, the Trustee and the Mudareb have agreed in the Mudaraba Agreement that the Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Trustee except to the extent such losses are caused by: (i) the Mudareb's breach of the Mudaraba Agreement; or (ii) the Mudareb's gross negligence, wilful misconduct or fraud.

Accordingly, potential investors are advised that any claim by or on behalf of the Trustee for the Mudaraba Capital following any Dissolution Event may be reduced if and to the extent that the Mudareb is able to prove that any losses to the Mudaraba Capital were not caused by: (i) the Mudareb's breach of the Mudaraba Agreement; or (ii) the Mudareb's gross negligence, wilful misconduct or fraud. If the Mudareb is able to provide such proof, Certificateholders may lose all or some of their investment. It is not possible to state with certainty what approach any court or arbitral tribunal with jurisdiction will take in such circumstances.

### ***Limitation on gross-up obligation under the Certificates***

The Trustee's obligation to pay Additional Amounts in respect of any withholding or deduction in respect of Taxes under Condition 13 applies only to payments of Periodic Distribution Amounts and not to payments of Dissolution Distribution Amounts (other than any Outstanding Payments) due and payable under the Certificates. As such, the Trustee will not be required to pay any Additional Amounts under the terms of the Certificates to the extent any withholding or deduction applied to payments of Dissolution Distribution Amounts (other than any Outstanding Payments). Accordingly, if any such withholding or deduction were to apply to any payments of Dissolution Distribution Amounts (other than any Outstanding Payments) under the Certificates, holders may receive less than the full amount due under the Certificates, and the market value of the Certificates may be adversely affected.

To the extent that DIB is required to pay Additional Amounts in respect of amounts corresponding to Periodic Distribution Amounts under the Mudaraba Agreement, DIB shall be entitled to recover amounts equal to such Additional Amounts from any amounts (if any) standing to the credit of the Mudaraba Reserve and if, following such recovery a shortfall remains between the amounts standing to the credit of the Mudaraba Reserve and such Additional Amounts paid by DIB (such shortfall, the **Additional Amounts Shortfall**), DIB shall be entitled to recover amounts equal to such Additional Amounts Shortfall from any Liquidation Proceeds (after taking into account amounts equal to the then applicable Dissolution Distribution Amount payable to the Trustee on the Mudaraba End Date pursuant to the Mudaraba Agreement).

### **Risks relating to enforcement**

#### ***Compliance with the UAE bankruptcy law may affect DIB's ability to perform its obligations under the Transaction Documents***

In the event of DIB's insolvency, UAE bankruptcy laws may adversely affect DIB's ability to perform its obligations under the Mudaraba Agreement and, consequently, the Trustee's ability to make payments to Certificateholders. There is little precedent to predict how a claim on behalf of Certificateholders, the Trustee and/or the Delegate against DIB would be resolved, and therefore there can be no assurance that Certificateholders will receive payment of their claims in full or at all in these circumstances.

#### ***Investors may experience difficulties in enforcing arbitration awards and foreign judgments in Dubai***

Ultimately the payments under the Certificates are dependent upon DIB making payments to the Trustee in the manner contemplated under the Transaction Documents. If DIB fails to do so, it may be necessary to bring an action against DIB to enforce its obligations (subject to the provisions of the Conditions), which could be both time consuming and costly.

Furthermore, to the extent that the enforcement of remedies must be pursued in the UAE, it should be borne in mind that there is limited scope for self-help remedies under UAE law and that generally enforcement of remedies in the UAE must be pursued through the courts.

DIB has irrevocably agreed that the Transaction Documents will be governed by English law and that any dispute arising from such Transaction Documents will, unless the option to litigate is exercised, be referred to arbitration in London under the Arbitration Rules of the London Court of International Arbitration (the **Rules**). Under the Conditions, any dispute arising from the Conditions will, unless the option to litigate is exercised, be referred to arbitration in London under the Rules.

The 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the **New York Convention**) entered into force in the UAE on 19 November 2006. In the absence of any other multilateral or bilateral enforcement convention, any arbitration award rendered in London should therefore be enforceable in Dubai in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Dubai courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE.

There is no established track record as to how the New York Convention provisions would be interpreted and applied by the UAE courts in practice and whether the UAE courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention). This is reinforced by the lack of a system of binding judicial precedent in the UAE and the independent existence of different Emirates within the UAE, some with their own court systems, and whose rulings may have no more than persuasive force cross border. Although there are examples of foreign arbitral awards being enforced in the UAE under the New York Convention, there are other cases where the enforcement of foreign arbitral awards have been refused. Federal Cabinet Resolution No. 57 of 2018 (the **Resolution**) also governs the enforcement of foreign arbitral awards in the UAE. The Resolution confirms that arbitral awards issued in a foreign state may be enforced in the UAE and that the conditions for enforcement of foreign arbitral awards set out in the New York Convention shall not be prejudiced by the Resolution. However, there is no established track record as to how the overlapping provisions of the New York Convention and the Resolution will be interpreted and applied by the UAE courts in practice. There is also a risk that, notwithstanding the New York Convention, the Resolution or the terms of any other applicable multilateral or bilateral enforcement convention, the UAE courts may in practice consider and apply the grounds for enforcement of domestic UAE arbitral awards set out in Federal Law No. 6 of 2018 (the **UAE Arbitration Law**) to the enforcement of any non-UAE arbitral award. The UAE Arbitration Law and the Resolution are both new and it is unclear how they will be applied by the UAE courts in practice. Accordingly, there is a risk that a non-UAE arbitral award will be refused enforcement by the UAE courts.

Under the Conditions and the Transaction Documents, at the option of the Trustee or the Delegate, as the case may be, any dispute may also be referred to the courts in England or the DIFC, who shall have exclusive jurisdiction to settle any dispute arising from the Conditions or such Transaction Documents.

Where an English judgment has been obtained, there is no assurance that DIB has or would at the relevant time have assets in the United Kingdom against which such a judgment could be enforced. DIB is incorporated in and has its operations and the majority of its assets located in the UAE. Under current UAE federal law, the courts in the UAE are unlikely to enforce an English judgment without re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the Transaction Documents or the Certificates. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law by a Court in the UAE may not accord with the interpretation of an English Court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that any appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. In addition, even if English law is accepted as the governing law, this will only be applied to the extent that it is compatible with the laws of Dubai and the UAE, and public

policy, order or morals in the UAE. This may mean that the UAE courts may seek to interpret English law governed documents as if they were governed by UAE law and there can therefore be no certainty that in those circumstances the UAE courts would give effect to such documents in the same manner as the parties may intend.

As the UAE judicial system is based on a civil code, judicial precedents in the UAE have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in the UAE. These factors create greater judicial uncertainty. The enforcement of a foreign judgment or arbitral award may be a lengthy process in the UAE.

In the case of any dispute under the Conditions and/or the Transaction Documents, which at the option of the Trustee or the Delegate has been referred to the DIFC courts under Article 7 of Law No. 16 of 2011 (as defined below), any final and unappealable judgment, order or award made by the DIFC courts in favour of the Delegate (on behalf of the Certificateholders) must, upon application by the Delegate to the Dubai Court of Execution, be enforced against DIB and/or its assets situated in Dubai by the Dubai Court of Execution without that court being able to reconsider the merits of the case provided that the conditions specified in Article 7(2) of Law No. 16 of 2011 are satisfied and the procedure for enforcement described in Article 7(3) of Law No. 16 of 2011 is adhered to.

Dubai Law No. 16 of 2011 on Amending Some Provisions of Law No. 12 of 2004 Concerning the Dubai International Financial Centre Courts (**Law No. 16 of 2011**) came into force in the Emirate of Dubai on 31 October 2011 and extended the jurisdiction of the DIFC courts to include all civil and commercial disputes where the parties to the relevant dispute have expressly agreed to submit to the jurisdiction of the DIFC courts, even where such parties are unconnected to the DIFC. None of the Trustee, DIB or the Delegate are connected to the DIFC.

Investors should note however that, as at the date of this Prospectus, Law No. 16 of 2011 remains relatively untested and there is therefore no certainty as to how the DIFC courts intend to exercise their jurisdiction under this law should any party dispute the right of the DIFC courts to hear a particular dispute where any party is unconnected to the DIFC, nor is there any certainty that the Dubai Court of Execution will enforce the judgment of the DIFC courts without reconsidering the merits of the case.

### ***Considerations relating to the non-recognition of trusts under the laws of the UAE***

UAE law does not recognise the concept of trust or beneficial interests. Accordingly, if a UAE court were to consider the merits of a claim in respect of the Declaration of Trust and apply UAE law principles in doing so, there is no certainty that all of the terms of the Declaration of Trust (which is governed by English law) would be enforced by the UAE courts and the trust arrangements set out therein may be re-characterised as an agency arrangement by the UAE courts.

### ***Claims for specific enforcement***

If DIB fails to perform its obligations under any Transaction Document, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific enforcement of DIB's obligations or a claim for damages. There is no assurance that a court will provide an order for specific enforcement, as this is generally a matter for the discretion of the relevant court.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of such breach. No assurance is provided as to the level of damages which a court may award if DIB fails to perform its obligations set out in the Transaction Documents.

### ***DIB's waiver of immunity may not be effective under UAE law***

DIB has waived its rights in relation to sovereign immunity under the Transaction Documents. However, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under the Transaction Documents are valid and binding under the laws of Dubai and, to the extent applicable therein, the federal laws of the UAE.

### ***Change of law***

The structure of the issue of the Certificates is based on English law as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law, or administrative practices after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of the Trustee or DIB to comply with their respective obligations under the Transaction Documents.

### ***Additional risk factors***

#### ***Certificateholders must rely on Euroclear and Clearstream, Luxembourg procedures***

The Certificates will be represented on issue by a Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the ownership interests in the Global Certificate.

While the Certificates are represented by the Global Certificate, investors will be able to trade their ownership interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Certificates are represented by the Global Certificate, the Trustee will discharge its payment obligation under the Certificates by making payments through the relevant clearing systems. A holder of an ownership interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, ownership interests in the Global Certificate.

Holders of ownership interests in the Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

#### ***No assurance can be given as to Shari'a rules***

The Fatwa and Sharia Supervisory Board of DIB and the Sharia Committee of Dar al Sharia Islamic Finance Consultancy LLC, First Abu Dhabi Bank Internal Shariah Supervision Committee, the Internal Shariah Supervision Committee of HSBC Bank Middle East Limited and the Standard Chartered Bank Global Shariah Supervisory Committee have each confirmed that the transaction structure relating to the Certificates (as described in this Prospectus) and the Transaction Documents are, in their view, in compliance with the principles of Shari'a, as applicable to, and interpreted by, them. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be Shari'a compliant by any other Shari'a board or Shari'a scholars. None of the Trustee, DIB, the Joint Lead Managers, the Delegate or the Agents makes any representation as to the Shari'a compliance of the Certificates and/or any trading thereof and potential investors are reminded that, as with any Shari'a views, differences in opinion are possible and different Shari'a standards may be applied by different Shari'a boards. Prospective investors should obtain their own independent Shari'a advice as to whether the Transaction Documents and the issue and trading of the Certificates will meet their individual standards of compliance and should also make their own determination as to the future tradability of the Certificates on any secondary market. Questions as to

the Shari'a permissibility of the Transaction Documents or the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Conditions or the Transaction Documents would be, if in dispute, the subject of arbitration in London under the Rules. DIB has also agreed under the Transaction Documents to submit to the exclusive jurisdiction of the courts of England or the DIFC, at the option of the Trustee or the Delegate, as the case may be. In such circumstances, the arbitrator or judge, as the case may be, will apply English law rather than Shari'a principles in determining the obligation of the parties.

***Shari'a requirements in relation to interest awarded by a court***

In accordance with applicable Shari'a principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by any arbitrator as a result of any arbitration and/or by any court in connection with any dispute under the Mudaraba Agreement. Should there be any delay in the enforcement of an arbitral award or a judgment given against DIB, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive all, or any part of, such interest.

***Certificates with a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade***

As the Certificates have a minimum denomination consisting of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof, it is possible that the Certificates may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000. In such a case a Certificateholder who, as a result of trading such amounts, holds a face amount of less than U.S.\$200,000 would need to purchase an additional amount of Certificates with a face value of U.S.\$200,000 or more such that it holds an amount equal to at least U.S.\$200,000 to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

If a Certificateholder holds a face amount which is less than U.S.\$200,000 in his account with the relevant clearing system at the relevant time, such Certificateholder may not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be printed) and would need to purchase a face amount of Certificates such that its holding amounts to at least U.S.\$200,000 in order to be eligible to receive a Definitive Certificate.

If Definitive Certificates are issued, holders should be aware that Definitive Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

***Consents are required in relation to the variation of Transaction Documents and other matters***

The Conditions contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally and for obtaining written resolutions on matters relating to the Certificates from Certificateholders without calling a meeting. A written resolution signed by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Declaration of Trust and whose Certificates are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Certificates are held in global form in the clearing systems, the Trustee, DIB and the Delegate will be entitled to rely upon:

- (i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Trustee, DIB or the Delegate or given by way of electronic consents communicated through the electronic communications systems of the relevant

clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates for the time being outstanding; and

- (ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Trustee, DIB and/or the Delegate by accountholders in the clearing systems with entitlements to the Global Certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries), provided that the Trustee has obtained commercially reasonable evidence to ascertain the validity of such holding and taken reasonable steps to ensure such holding does not alter following the giving of such consent/instruction and prior to effecting such resolution.

A written resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Certificateholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Certificateholders satisfying the special quorum in accordance with the provisions of the Declaration of Trust, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Conditions also provide that the Delegate may, without the consent of Certificateholders, agree to the substitution of another company as obligor under the Certificates in place of the Trustee, in the circumstances described in Condition 12.2.

The Conditions also provide that the Delegate may, without the consent or approval of the Certificateholders, agree to the variation of the terms of the Certificates and (subject to the approval of the Fatwa and Sharia Supervisory Board of DIB) the Mudaraba Agreement so that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments, as provided in Condition 10.1(c) and Condition 10.1(d).

The Declaration of Trust also contains provisions permitting the Delegate from time to time and at any time without the consent or sanction of the Certificateholders to make any modification to the Declaration of Trust if, in the opinion of the Delegate, such modification: (a) is of a formal, minor or technical nature; or (b) is made to correct a manifest error; or (c) is not materially prejudicial to the interests of the holders of the Certificates then outstanding and is other than in respect of a Reserved Matter (as defined in the Declaration of Trust) or any provision of the Declaration of Trust referred to in the definition of Reserved Matter. Unless the Delegate otherwise agrees, any such modification shall as soon as practicable thereafter be notified to the Certificateholders and shall in any event be binding upon the Certificateholders.

### ***Exchange rate risks and exchange controls***

The Trustee will pay amounts due on the Certificates in U.S. dollars and DIB will make payments pursuant to the Transaction Documents to which it is a party in U.S. dollars. If the Certificateholders measure their investment returns by reference to a currency other than U.S. dollars (the **Investor's Currency**), an investment in the Certificates will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the U.S. dollar, as applicable, relative to the Investor's Currency because of economic, political and other factors over which the Trustee has no control and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. Depreciation of the U.S. dollar, as applicable, against the Investor's Currency could cause a decrease in the effective yield of the Certificates below their stated Periodic Distribution Amount and could result in a loss to the Certificateholders when the return on the Certificates is translated into the Investor's Currency. Investment in the Certificates may also have important tax consequences as a result of any foreign currency exchange gains or losses.



Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less amounts under the Certificates than expected, or no such amounts.

***Taxation risks on payments***

Payments made by DIB to the Trustee under the Transaction Documents or by the Trustee in respect of the Certificates could become subject to taxation. The Mudaraba Agreement requires DIB (acting in its relevant capacity thereunder), to pay Additional Amounts in the event that any withholding or deduction, for or on account of, any Taxes is required to be made in respect of payments made by it to the Trustee under such document. Condition 13 provides that the Trustee is required to pay Additional Amounts in respect of any withholding or deduction for, or on account of, any Taxes in certain circumstances. In the event that the Trustee fails to comply with any obligation to pay any such Additional Amounts pursuant to Condition 13, DIB has, pursuant to the Declaration of Trust, unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to or to the order of the Delegate an amount equal to the liability of the Trustee in respect of any and all Additional Amounts required to be paid by it in respect of the Certificates pursuant to Condition 13.

The circumstances described above may entitle DIB to be able to instruct the Trustee to redeem or vary the Certificates pursuant to Condition 10.1(c). See "*– The Certificates may be redeemed early or purchased subject to certain requirements*" and "*– Variation upon the occurrence of a Capital Event or a Tax Event*" for a description of the consequences thereof.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents which have previously been published shall be incorporated in, and form part of, this Prospectus:

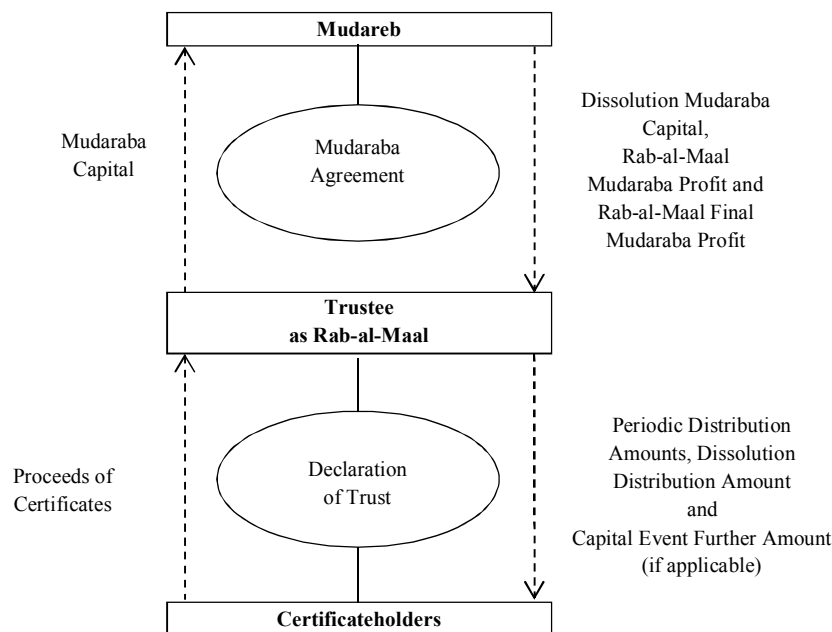
- (a) the auditors' report and audited consolidated financial statements of DIB as at and for the financial year ended 31 December 2020 (available at: [https://www.dib.ae/docs/default-source/financial-reports/dib\\_fs\\_fy2020\\_e\\_16\\_02\\_2021.pdf?sfvrsn=9c9b67c1\\_4](https://www.dib.ae/docs/default-source/financial-reports/dib_fs_fy2020_e_16_02_2021.pdf?sfvrsn=9c9b67c1_4)); and
- (b) the auditors' report and audited consolidated financial statements of DIB as at and for the financial year ended 31 December 2019 (available at: [https://www.dib.ae/docs/default-source/financial-reports/dib-pjsc-fy2019-financial-statements-en.pdf?sfvrsn=841a81ca\\_4](https://www.dib.ae/docs/default-source/financial-reports/dib-pjsc-fy2019-financial-statements-en.pdf?sfvrsn=841a81ca_4)).

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

## STRUCTURE DIAGRAM AND CASH FLOWS

Set out below is a simplified structure diagram and description of the principal cash flows relating to the Certificates. This does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below. Potential investors should read this entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors".

### Structure Diagram



### Principal Cash Flows

#### *Payments by the Certificateholders and the Trustee*

On the Issue Date, the Certificateholders will pay the issue price in respect of the Certificates to the Trustee. Pursuant to the Declaration of Trust, the Trustee will declare a trust, in favour of the Certificateholders, over:

- the cash proceeds of the issuance of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets (as defined below);
- all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by DIB (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee by DIB pursuant to clause 12.1 of the Declaration of Trust); and
- all amounts standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing (together, the **Trust Assets**).

The proceeds of the issuance of the Certificates will be contributed by the Trustee (as Rab-al-Maal) to DIB (as Mudareb) and shall form the initial capital of the Mudaraba (the **Mudaraba Capital**) pursuant to the Mudaraba Agreement. The Mudareb will invest the Mudaraba Capital on an unrestricted co-mingling Mudaraba basis in its general business activities carried out through the General Mudaraba Pool, and following investment of the Mudaraba Capital in the General Mudaraba Pool, the Mudaraba Capital shall constitute *pro rata* undivided assets in the General Mudaraba Pool (the **Mudaraba Assets**).

#### ***Periodic payments by the Trustee***

Unless a Non-Payment Event or a Non-Payment Election has occurred, prior to each Periodic Distribution Date, the Mudareb shall distribute the profit generated by the Mudaraba to both the Trustee and the Mudareb in accordance with an agreed profit sharing ratio (90 per cent. to the Trustee (as Rab-al-Maal) and 10 per cent. to the Mudareb). The Trustee shall apply its share of the profit (if any) generated by the Mudaraba on each Periodic Distribution Date to pay the Periodic Distribution Amount due to the Certificateholders on such date.

Payments of Rab-al-Maal Mudaraba Profit and Rab-al-Maal Final Mudaraba Profit (each as defined in the Mudaraba Agreement) by the Mudareb may only be made in circumstances where a Non-Payment Event has not occurred and, in the case of Rab-al-Maal Mudaraba Profit only, are at the sole discretion of the Mudareb. The Mudareb shall not have any obligation to make any subsequent payment in respect of such unpaid profit (whether from its own cash resources, from the Mudaraba Reserve or otherwise) (which shall be credited by the Mudareb to the Mudaraba Reserve). Under the terms of the Mudaraba Agreement, the Mudareb shall be expressly entitled to co-mingle the Mudaraba Assets with any of the other assets of the General Mudaraba Pool from time to time.

#### ***Dissolution payments, redemption and variation by the Trustee and the Mudareb***

The Mudaraba is a perpetual arrangement with no fixed end date. Accordingly, the Certificates are perpetual securities in respect of which there is no fixed redemption date.

Subject to certain conditions set out in clause 7 of the Mudaraba Agreement, the Mudareb may at its option liquidate the Mudaraba in whole, but not in part, on the basis of a final constructive liquidation of the Mudaraba in the following circumstances:

- (i) on any Call Date, by giving not less than 15 nor more than 20 days' prior notice to the Trustee and the Delegate; or
- (ii) on any date on or after the Issue Date (whether or not a Periodic Distribution Date), by giving not less than 15 nor more than 20 days' prior notice to the Trustee and the Delegate:
  - (a) upon the occurrence of a Tax Event; or
  - (b) upon the occurrence of a Capital Event.

The Trustee (but only upon the instructions of DIB (acting in its sole discretion)) shall, upon receipt of notice and the associated liquidation of the Mudaraba in accordance with paragraph (i) above redeem all, but not only some, of the Certificates, and upon receipt of notice and, where applicable, the associated liquidation of the Mudaraba in accordance with paragraph (ii) above redeem all, but not only some, of the Certificates or vary the terms thereof, in each case by giving not less than 10 nor more than 15 days' prior notice to the Certificateholders, all as more particularly described in the Conditions, and in each case following actual liquidation of the Mudaraba, as described above.

The Mudareb and the Trustee undertake in the Mudaraba Agreement, in circumstances where the Certificates are required by DIB to be varied upon the occurrence of a Tax Event or a Capital Event, to make such variations as are necessary to ensure that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments.

## OVERVIEW OF THE OFFERING

*The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview does not contain all of the information that an investor should consider before investing in the Certificates. Each investor should read the entire Prospectus carefully, especially the risks of investing in the Certificates discussed under "Risk Factors".*

*Words and expressions defined in the Conditions shall have the same meanings in this overview.*

<b>Certificates:</b>	U.S.\$500,000,000 Additional Tier 1 Capital Certificates.
<b>Trustee:</b>	DIB Tier 1 Sukuk (5) Ltd., an exempted company with limited liability incorporated on 10 March 2021 under the laws of the Cayman Islands and formed and registered in the Cayman Islands with registered number 372738 with its registered office at MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.
<b>Trustee Legal Entity Identifier (LEI):</b>	5493008C0EW2LHRN0275.
<b>DIB Legal Entity Identifier (LEI):</b>	5493003E7YRAQY3JGW88.
<b>Ownership of the Trustee:</b>	The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 ordinary shares of U.S.\$1.00 each, 250 of which are fully-paid and issued. The Trustee's entire issued share capital is held on trust for charitable purposes by MaplesFS Limited as share trustee under the terms of a declaration of trust.
<b>Administration of the Trustee:</b>	The affairs of the Trustee are managed by MaplesFS Limited (the <b>Trustee Administrator</b> ), who has agreed to perform certain management functions and provide certain clerical, administrative and other services pursuant to a corporate services agreement dated 6 April 2021 between the Trustee and the Trustee Administrator (the <b>Corporate Services Agreement</b> ). The Trustee Administrator's registered office is P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.
<b>Mudareb:</b>	Dubai Islamic Bank PJSC.
<b>Rab-al-Maal:</b>	DIB Tier 1 Sukuk (5) Ltd.
<b>Risk Factors:</b>	Certain factors may affect the Trustee's ability to fulfil its obligations under the Certificates and DIB's ability to fulfil its obligations under the Transaction Documents. In addition, certain factors are material for the purpose of assessing the market risks associated with the Certificates. These are set out under "Risk Factors".
<b>Joint Lead Managers:</b>	Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, HSBC Bank plc and Standard Chartered Bank.
<b>Delegate:</b>	HSBC Corporate Trustee Company (UK) Limited.

Pursuant to the Declaration of Trust, the Trustee shall delegate to the Delegate certain of the present and future powers, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust. In particular, the Delegate shall be entitled to (and, in certain circumstances, shall, subject to being directed and indemnified and/or secured and/or pre-funded to its satisfaction, be obliged to) take enforcement action in the name of the Trustee against the Mudareb and/or DIB following a DIB Event.

**Principal Paying Agent, Calculation Agent, Registrar and Transfer Agent:** HSBC Bank plc.

**Summary of the transaction structure and Transaction Documents:** An overview of the structure of the transaction and the principal cashflows is set out under "*Structure Diagram and Cash Flows*" and a description of the principal terms of certain of the Transaction Documents is set out under "*Summary of the Principal Transaction Documents*".

**Issue Date:** 19 April 2021.

**Issue Price:** 100 per cent.

**Periodic Distribution Dates:** 19 April and 19 October in each year, commencing on 19 October 2021.

**Periodic Distributions:** Subject to Condition 8, Periodic Distribution Amounts shall be payable on each Periodic Distribution Date up to and including the First Reset Date at a rate of 3.375 per cent. per annum. If the Certificates are not redeemed or purchased and cancelled in accordance with the Conditions on or prior to the First Reset Date, Periodic Distribution Amounts shall be payable on each Periodic Distribution Date after the First Reset Date (subject as aforesaid) at a fixed rate, to be reset on the First Reset Date and every six years thereafter, equal to the Relevant Six Year Reset Rate plus a margin of 2.246 per cent. per annum.

If DIB makes a Non-Payment Election (as defined herein) or a Non-Payment Event occurs (as defined herein), the Trustee shall not pay the corresponding Periodic Distribution Amounts and neither DIB nor the Trustee shall have any obligation to make any subsequent payment in respect of any unpaid Periodic Distribution Amount as more particularly described in Condition 8.

**Form of Certificates:** The Certificates will be issued in registered form as described in "*Global Certificate*". The Certificates will be represented on issue by ownership interests in a Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each relevant clearing system and its participants.

Definitive Certificates evidencing a holding of Certificates will be issued in exchange for interests in the Global Certificate only in limited circumstances.

**Clearance and Settlement:**

Certificateholders must hold their interest in the Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing systems.

**Denomination of the Certificates:**

The Certificates will be issued in registered form in face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

**Status of the Certificates:**

Each Certificate will represent an undivided ownership interest in the Trust Assets, will be a limited recourse obligation of the Trustee and will rank *pari passu* without any preference or priority with all other Certificates. See Condition 4.1.

The Relevant Obligations will: (a) constitute Additional Tier 1 Capital of DIB; (b) constitute direct, unsecured, conditional and subordinated obligations of DIB; (c) rank subordinate and junior to all Senior Obligations but not further or otherwise; (d) rank *pari passu* with all other Pari Passu Obligations, which, for the avoidance of doubt, includes and shall continue to include DIB's obligations under the Existing Tier 1 Securities; and (e) subject to the Solvency Conditions being satisfied at the relevant time and no bankruptcy order having been issued in respect of DIB by a court in the UAE rank in priority to all Junior Obligations. See Condition 4.2.

Payments in respect of the Relevant Obligations by DIB are conditional upon: (i) DIB (in its capacity as Mudareb or otherwise) being Solvent at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable; (ii) DIB (in its capacity as Mudareb or otherwise) being capable of making payment of the Relevant Obligations and any other payment that is due to be made on the relevant date to a creditor in respect of all Senior Obligations and all Pari Passu Obligations and still be Solvent immediately thereafter; and (iii) the total share capital (including, without limitation, retained earnings) of DIB being greater than zero at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant obligations that are due and payable (together, the **Solvency Conditions**).

To the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of DIB has been issued by a court in the UAE, all claims of the Trustee in respect of the Relevant Obligations will be extinguished and the Certificates will be cancelled without any further payment to be



made by DIB in respect of the Relevant Obligations.

**Trust Assets:**

The Trust Assets consist of:

- (a) the cash proceeds of the issue of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (b) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets;
- (c) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by DIB (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee pursuant to clause 12.1 of the Declaration of Trust); and
- (d) all amounts standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing which will be held by the Trustee upon trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each holder in accordance with the Declaration of Trust and the Conditions.

**Redemption of Certificates and variation of their terms:**

The Certificates are perpetual securities and accordingly do not have a fixed or final redemption date. All, but not some only, of the Certificates may be redeemed or the terms of the Certificates may be varied by the Trustee (but only upon the instructions of DIB (acting in its sole discretion)) only in accordance with the provisions of Condition 10.

Pursuant to Condition 10.1(b), DIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, on any Call Date, redeem all, but not some only, of the Certificates at the Trustee Call Amount.

In addition (on any date on or after the Issue Date, whether or not a Periodic Distribution Date), upon the occurrence of a Tax Event or a Capital Event, all, but not some only, of the Certificates may be redeemed or the terms of the Certificates may be varied, in each case in accordance with Conditions 10.1(c) and 10.1(d). Any redemption of the Certificates is subject to the conditions described in Condition 10.1.

**Write-down at the Point of Non-Viability (as prescribed by the Financial Regulator):**

If a Non-Viability Event occurs, a Write-down (as defined herein) shall occur on the relevant Non-Viability Event Write-down Date, as more particularly described in Condition 11. In such circumstances, the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) shall automatically be deemed

to be irrevocably, unconditionally and permanently written-down in a proportion corresponding to the relevant Write-down Amount and in the case of the relevant Write-down Amount corresponding to the full proportion of the Prevailing Face Amount of each Certificate then outstanding, the Certificates shall be cancelled. See Condition 11.

**Dissolution Events:**

Subject to Condition 12, if a DIB Event occurs, and, if so requested in writing by the Certificateholders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding or if so directed by an Extraordinary Resolution of the Certificateholders in accordance with Condition 12.1, the Trustee and/or the Delegate shall, subject to Condition 12.3, take the actions referred to therein.

**Withholding Tax:**

Subject to Condition 9.2 and Condition 13, all payments in respect of the Certificates shall be made free and clear of and without withholding or deduction for, or on account of, any Taxes (as defined in Condition 13), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay, in respect of Periodic Distribution Amounts (but not, for the avoidance of doubt, in respect of Dissolution Distribution Amounts (other than any Outstanding Payments)), Additional Amounts as shall be necessary in order that the net amounts of Periodic Distribution Amounts received by the Certificateholders after such withholding or deduction shall equal the respective amounts of Periodic Distribution Amounts due and payable to any Certificateholder which would otherwise have been receivable in the absence of such withholding or deduction.

In addition, the Mudaraba Agreement provides that all payments thereunder by DIB (in its capacity as the Mudareb) shall be made without withholding or deduction for, or on account of, any Taxes, unless such withholding or deduction of the Taxes is required by law. In the event there is any such withholding or deduction in relation to any Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, DIB shall pay such Additional Amounts as shall result in the receipt by the Trustee of such net amounts of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, as would have been receivable by it if no such withholding or deduction had been required. To the extent that any such Additional Amounts are paid by DIB pursuant to the Mudaraba Agreement, DIB shall be entitled to recover amounts equal to such Additional Amounts from the amounts (if any) standing to the credit of the Mudaraba Reserve and if, following such recovery a shortfall remains between the amounts standing to the credit of the Mudaraba Reserve and such Additional Amounts paid by DIB (such shortfall the **Additional Amounts Shortfall**), DIB shall be entitled to recover amounts equal to such Additional Amounts Shortfall from any Liquidation Proceeds (after taking into account amounts equal to the then applicable Dissolution Distribution Amount payable to the Trustee on the Mudaraba End Date pursuant to the Mudaraba Agreement).

Notwithstanding any other provision of the Conditions, in no event will the Trustee be required to pay any additional amounts in respect of the Certificates for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (as amended, the **Code**) or otherwise imposed pursuant to Sections 1471 through to 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

**Trustee Covenants:**

The Trustee has agreed to certain restrictive covenants as set out in Condition 6.

**Ratings:**

DIB has been assigned ratings of "A" by Fitch with a "stable" outlook and "A3" by Moody's with a "negative" outlook. The Certificates will not be rated by any rating organisation upon their issue.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Certificateholder Meetings:**

A summary of the provisions for convening meetings of the Certificateholders to consider matters relating to their interests as such is set out in Condition 18.

**Tax Considerations:**

See "*Taxation*" for a description of certain tax considerations applicable to the Certificates.

**Listing and Admission to Trading:**

Application has been made to Euronext Dublin for the Certificates to be admitted to listing on the Official List and for such Certificates to be admitted to trading on the Euronext Dublin Regulated Market.

Application has been made to the DFSA for the Certificates to be admitted to listing on the DFSA Official List and to Nasdaq Dubai for such Certificates to be admitted to trading on Nasdaq Dubai.

**Transaction Documents:**

The Declaration of Trust, the Agency Agreement and the Mudaraba Agreement are referred to herein as the **Transaction Documents**.

**Governing Law:**

The Certificates, the Declaration of Trust, the Mudaraba Agreement, the Agency Agreement and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.

The Corporate Services Agreement and the Share Declaration of Trust are governed by the laws of the Cayman Islands.

**Waiver of Immunity:**

To the extent that DIB may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal proceedings and relief

and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, DIB will agree in the Transaction Documents not to claim and will irrevocably and unconditionally waive such immunity in relation to any legal proceedings. Further, DIB will irrevocably and unconditionally consent to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any legal proceedings. See Condition 20.7.

**Limited Recourse:**

Proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as otherwise provided in Condition 4.4, the Certificates do not represent an interest in any of the Trustee, DIB, the Delegate, any of their Agents, or any of their respective affiliates.

If the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets is not sufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of any of the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents) or of the Delegate or the Agents or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets.

See Condition 4.4 for further details.

DIB is obliged to make certain payments under the Transaction Documents directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and/or the Delegate will, subject to Condition 4.2 and Condition 12.3, have recourse against DIB to recover payments due to the Trustee from DIB pursuant to such Transaction Documents notwithstanding any other provision of Condition 4.4. Such right of the Trustee and the Delegate shall constitute an unsecured claim against DIB. None of the Certificateholders, the Trustee and the Delegate shall be entitled to claim any priority right in respect of any specific assets of DIB in connection with the enforcement of any such claim.

**Selling Restrictions:**

There are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the EEA, the United Kingdom, the UAE (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Cayman Islands, the Kingdom of Saudi Arabia, State of Kuwait, the Kingdom of Bahrain, Hong Kong, Singapore, Malaysia and Switzerland. See "*Subscription and Sale*".

**Use of Proceeds:**

The net proceeds of the issue of the Certificates will be contributed by the Trustee (as Rab-al-Maal) to DIB (as Mudareb) as Mudaraba Capital pursuant to the terms of the Mudaraba Agreement and will be used by DIB to enhance its tier 1 capital as well as for general corporate purposes, all in accordance with the investment plan set out in the Mudaraba Agreement, as

described in "*Use of Proceeds*".

## TERMS AND CONDITIONS OF THE ADDITIONAL TIER 1 CAPITAL CERTIFICATES

*The following (except for the text in italics) is the text of the Terms and Conditions of the Certificates which (subject to modification and except for the text in italics) will be endorsed on each Certificate in definitive form (if issued) and will, save as provided in Global Certificate, apply to the Global Certificate:*

DIB Tier 1 Sukuk (5) Ltd. (in its capacity as issuer and in its capacity as trustee, as applicable, the **Trustee**, which expression shall where the context allows include the Delegate (as defined below) acting pursuant to the powers delegated to it by the Trustee pursuant to the Declaration of Trust (as defined below)) has issued Additional Tier 1 Capital Certificates (the **Certificates**) in an aggregate face amount of U.S.\$500,000,000. The Certificates are constituted by a declaration of trust (the **Declaration of Trust**) dated 19 April 2021 (the **Issue Date**) made between the Trustee, Dubai Islamic Bank PJSC (**DIB**) and HSBC Corporate Trustee Company (UK) Limited (the **Delegate**, which expression shall include all persons for the time being appointed as the delegate or delegates under the Declaration of Trust) and will represent an undivided ownership interest in the Trust Assets (as defined in Condition 5).

Payments relating to the Certificates will be made pursuant to an agency agreement dated the Issue Date (the **Agency Agreement**) made between the Trustee, DIB, the Delegate, HSBC Bank plc as principal paying agent (in such capacity, the **Principal Paying Agent** and together with any further or other paying agents appointed from time to time in respect of the Certificates, the **Paying Agents**), HSBC Bank plc as registrar (in such capacity, the **Registrar**) and as transfer agent (in such capacity, the **Transfer Agent** and, together with the Registrar and any further or other transfer agents appointed from time to time in respect of the Certificates, the **Transfer Agents**) and HSBC Bank plc as calculation agent (the **Calculation Agent**, which expression includes the Calculation Agent for the time being). The Paying Agents, the Transfer Agents and the Calculation Agent are together referred to in these terms and conditions (the **Conditions**) as the Agents. References to the **Agents** or any of them shall include their successors.

These Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents (as defined in Condition 1). Copies of the Transaction Documents are available for inspection and/or collection during normal business hours at the specified offices of the Principal Paying Agent. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders:

- (a) to contribute the sums paid by it in respect of its Certificate(s) to the Mudareb (as defined in Condition 5) in accordance with the Mudaraba Agreement (as defined in Condition 12.2);
- (b) to act as Rab-al-Maal (as defined in Condition 5) pursuant to the Mudaraba Agreement on its behalf (which authorisation and direction shall also apply to its successors in title and any Substituted Trustee (as defined in Condition 12.2)); and
- (c) to enter into each Transaction Document, subject to the provisions of the Declaration of Trust and these Conditions.

### 1. DEFINITIONS AND INTERPRETATION

Words and expressions defined in the Declaration of Trust and the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between any such document and these Conditions, these Conditions will prevail. In addition, in these Conditions the following expressions have the following meanings:

**Additional Amounts** has the meaning given to it in Condition 13;

**Additional Tier 1 Capital** means capital qualifying as, and approved by the Financial Regulator as, additional tier 1 capital in accordance with the Capital Regulations;

**Applicable Regulatory Capital Requirements** means any regulatory capital requirements contained in the Capital Regulations for the maintenance of capital from time to time applicable to DIB, including transitional rules and waivers granted in respect of the foregoing;

**Assets** means the consolidated gross assets of DIB as shown (if required by any relevant party) in the latest audited or (as the case may be) auditor reviewed consolidated balance sheet of DIB, but adjusted for subsequent events in such manner as the Directors, the Auditors or (if a bankruptcy trustee (or any equivalent insolvency practitioner) has been appointed in respect of DIB) a bankruptcy trustee (or such equivalent insolvency practitioner) may determine;

**Auditors** means, at any time, the statutory independent auditors to DIB at the relevant time or such other auditor as may be appointed for the purpose of the Transaction Documents or, failing such appointment, as may be nominated by the Delegate (subject to the Delegate being indemnified and/or secured and/or pre-funded to its satisfaction);

**Authorised Denomination** has the meaning given to that term in Condition 2.1;

**Basel III Documents** means the Basel Committee on Banking Supervision document "A global regulatory framework for more resilient banks and banking systems" released by the Basel Committee on Banking Supervision on 16 December 2010 and revised in June 2011 and the Annex contained in its document "Basel Committee issues final elements of the reforms to raise the quality of regulatory capital" on 13 January 2011;

**Business Day** means a day, other than a Friday, Saturday, Sunday or public holiday, on which registered banks settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Dubai, New York City and London;

**Call Date** means the First Call Date and any date thereafter up to and including the First Reset Date and any Periodic Distribution Date following the First Reset Date;

**Capital Event** is deemed to have occurred if DIB is notified in writing by the Financial Regulator to the effect that the face amount (or the amount that qualifies as regulatory capital, if some amount of the Certificates are held by DIB or whose purchase is funded by DIB) of the Certificates outstanding would cease to be eligible to qualify, in whole or in part, for inclusion in the consolidated Tier 1 Capital of DIB (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital), and provided that DIB satisfies the Financial Regulator that such non-qualification was not reasonably foreseeable at the time of the issuance of the Certificates;

**Capital Event Amount** means, in relation to a Certificate, its Prevailing Face Amount together with any Outstanding Payments;

**Capital Event Further Amount** means, on the date of final constructive liquidation of the Mudaraba pursuant to clause 7.5(c) of the Mudaraba Agreement, an amount equal to one per cent. of the Mudaraba Capital payable from the Rab-al-Maal Final Mudaraba Profit (if any) on such date;

**Capital Regulations** means, at any time, the regulations, requirements, standards, guidelines, guidance and policies relating to the maintenance of capital and/or capital adequacy then in effect in the UAE, including those of the Financial Regulator;

**Central Bank** means the Central Bank of the UAE or any successor thereto;

**Certificateholder** means a person in whose name a Certificate is registered in the Register (or in the case of joint Certificateholders, the first named thereof) and the expressions **holder** and **holder of Certificates** and related expressions shall (where appropriate) be construed accordingly;

**Common Equity Tier 1 Capital** means capital qualifying as, and approved by the Financial Regulator as, common equity tier 1 in accordance with the Capital Regulations;

**Corporate Services Agreement** means the corporate services agreement dated 6 April 2021 made between the Trustee and the Trustee Administrator;

**Day-count Fraction** means the actual number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed of the Periodic Distribution Period in which the relevant period falls (including the first such day but excluding the last));

**Determination Date** means, in respect of a Reset Period, the third Business Day prior to the commencement of such Reset Period;

**DIB Event** means:

- (a) **Non-payment:** DIB (acting in its capacity as Mudareb) fails to pay an amount which is equivalent to principal (being capital amounts, including the Mudaraba Capital, payable in accordance with the provisions of the Mudaraba Agreement) or profit (including Additional Amounts) due and payable by it pursuant to any Transaction Document and the failure continues for a period of (in the case of principal) seven days or (in the case of profit) 14 days (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Election or a Non-Payment Event); or
- (b) **Insolvency:** a final determination is made by a court or other official body that DIB is insolvent or bankrupt or unable to pay its debts including any financing arrangement issued (or intended to be issued) in compliance with the principles of Shari'a and which is treated as debt for the purposes of applicable law, in each case whether entered into directly or indirectly by DIB; or
- (c) **Winding-up:** an administrator is appointed, an order is made or an effective resolution is passed for the winding-up or dissolution or administration of DIB or DIB applies or petitions, for a winding-up or administration order in respect of itself or ceases, or through an official action of its Directors threatens to cease, to carry on all or substantially all of its business or operations, except, in each case (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders; or (ii) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or
- (d) **Analogous Event:** any event occurs which under the laws of the UAE has an analogous effect to any of the events referred to in paragraphs (b) or (c) above;

**Directors** means the executive and non-executive directors of DIB who make up its board of directors;

**Dispute** has the meaning given to it in Condition 20.2;

**Dissolution Distribution Amount** means the Trustee Call Amount, the Capital Event Amount or the Tax Redemption Amount, as the case may be, or such other amount in the nature of a redemption amount as may be determined in accordance with these Conditions;



**Dissolution Event** means a DIB Event and/or a Trustee Event;

**Dissolution Notice** has the meaning given to it in Condition 12.1;

**Dissolution Request** has the meaning given to it in Condition 12.1;

**Distributable Items** means the amount of DIB's consolidated retained earnings and reserves, including general reserves, special reserves and statutory reserves (to the extent not restricted from distribution by applicable law) after the transfer of any amounts to non-distributable reserves, all as set out in its latest audited or (as the case may be) auditor reviewed consolidated financial statements, or any equivalent or successor term from time to time as prescribed by the Capital Regulations, including the applicable criteria for Tier 1 Capital that do not constitute Common Equity Tier 1 Capital;

**Existing Tier 1 Securities** means the Existing 2016 Tier 1 Securities, the Existing 2019 Tier 1 Securities and the Existing 2020 Tier 1 Securities;

**Existing 2016 Tier 1 Securities** means the U.S.\$500,000,000 perpetual tier 1 capital certificates issued by Noor Tier 1 Sukuk Limited on 1 June 2016 in connection with a mudaraba agreement dated 1 June 2016 made between Noor Tier 1 Sukuk Limited and Noor Bank PJSC (with Noor Bank PJSC having been substituted by DIB with effect from 13 October 2020);

**Existing 2019 Tier 1 Securities** means the U.S.\$750,000,000 perpetual additional tier 1 capital certificates issued by DIB Tier 1 Sukuk (3) Ltd. on 22 January 2019 in connection with a mudaraba agreement dated 22 January 2019 made between DIB Tier 1 Sukuk (3) Ltd. and DIB;

**Existing 2020 Tier 1 Securities** means the U.S.\$1,000,000,000 perpetual additional tier 1 capital certificates issued by DIB Tier 1 Sukuk (4) Ltd. on 19 November 2020 in connection with a mudaraba agreement dated 19 November 2020 made between DIB Tier 1 Sukuk (4) Ltd. and DIB;

**Extraordinary Resolution** has the meaning given to it in the Declaration of Trust;

**Final Mudaraba Profit** has the meaning given to it in the Mudaraba Agreement;

**Financial Regulator** means the Central Bank or any successor entity having primary bank supervisory authority with respect to DIB in the UAE;

**First Call Date** means 19 October 2026;

**First Mudaraba Profit Distribution Date** means 19 October 2021;

**First Reset Date** means 19 April 2027;

**General Mudaraba Pool** has the meaning given to it in the Mudaraba Agreement;

**H.15 (519)** means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the United States Federal Reserve System and **most recent H.15 (519)** means the H.15 (519) published closest in time but prior to the applicable U.S. Government Securities Determination Date. H.15 (519) may be currently obtained at the following website: <https://www.federalreserve.gov/releases/h15/>;

**Initial Period** means the period from (and including) the Issue Date to (but excluding) the First Reset Date;

**Initial Periodic Distribution Rate** has the meaning given to it in Condition 7.4(a);

**Junior Obligations** means all claims of the holders of Ordinary Shares and all payment obligations of DIB in respect of its Other Common Equity Tier 1 Instruments and any other payment obligations that rank or are expressed to rank junior to the Certificates;

**LCIA** means the London Court of International Arbitration;

**Liabilities** means the consolidated gross liabilities of DIB as shown (if required by any relevant party) in the latest audited or (as the case may be) auditor reviewed consolidated balance sheet of DIB, but adjusted for contingent liabilities and for subsequent events in such manner as the Directors, the Auditors or (if a bankruptcy trustee (or any equivalent insolvency practitioner) has been appointed in respect of DIB) a bankruptcy trustee (or such equivalent insolvency practitioner) may determine;

**Margin** means 2.246 per cent. per annum;

**Mudaraba** has the meaning given to it in Condition 5;

**Mudaraba Agreement** has the meaning given to it in Condition 5;

**Mudaraba Assets** has the meaning given to it in Condition 5;

**Mudaraba Capital** has the meaning given to it in Condition 5;

**Mudaraba End Date** means the date on which the Mudaraba ends, being the date on which all, but not some only, of the Certificates are redeemed in accordance with these Conditions;

**Mudaraba Profit** has the meaning given to it the Mudaraba Agreement;

**Mudaraba Profit Distribution Date** means 19 April and 19 October in each year, starting on the First Mudaraba Profit Distribution Date;

**Mudaraba Reserve** has the meaning given to it in the Mudaraba Agreement;

**Mudareb** has the meaning given to it in Condition 5;

**Non-Payment Election** has the meaning given to it in Condition 8.2;

**Non-Payment Event** has the meaning given to it in Condition 8.1;

**Non-Viability Event** means that the Financial Regulator has notified DIB in writing that it has determined that DIB is, or will become, Non-Viable without (a) a Write-down; or (b) a public sector injection of capital (or equivalent support);

**Non-Viability Event Write-down Date** shall be the date on which the Write-down will take place as specified in the Non-Viability Notice, which date shall be as determined by the Financial Regulator;

**Non-Viability Notice** has the meaning given to it in Condition 11.2;

**Non-Viable** means (a) insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business or (b) any other event or circumstance which is specified as constituting non-viability by the Financial Regulator or in applicable banking regulations;

**Ordinary Shares** means issued ordinary shares of DIB, having on the Issue Date a par value of AED1.00 each;

**Other Common Equity Tier 1 Instruments** means securities issued by DIB that qualify as Common Equity Tier 1 Capital of DIB other than Ordinary Shares;

**Outstanding Payments** means, in relation to any amounts payable on redemption of the Certificates, an amount representing accrued and unpaid Periodic Distribution Amounts for the Periodic Distribution Period during which redemption occurs to the date of redemption plus Additional Amounts thereon, if any;

**Pari Passu Obligations** means all subordinated payment obligations of DIB which rank, or are expressed to rank, *pari passu* with the Relevant Obligations;

**Payment Business Day** has the meaning given to it in Condition 9.3;

**Periodic Distribution Amount** has the meaning given to it in Condition 7.2;

**Periodic Distribution Date** means 19 April and 19 October in each year, starting on (and including) 19 October 2021;

**Periodic Distribution Period** means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Periodic Distribution Date and each successive period beginning on (and including) a Periodic Distribution Date and ending on (but excluding) the next succeeding Periodic Distribution Date;

**Potential Dissolution Event** means an event which, with the giving of notice, lapse of time, determination of materiality or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a Dissolution Event;

**Prevailing Face Amount** means, in respect of a Certificate, the initial face amount of such Certificate as reduced by a Write-down of such Certificate (on one or more occasions) at or prior to such time pursuant to Condition 11;

**Proceedings** has the meaning given to it in Condition 20.5;

**Profit Rate** means, in respect of the Initial Period, the Initial Periodic Distribution Rate, and, in respect of each Reset Period thereafter, the rate calculated in accordance with the provisions of Condition 7.4(a);

**Qualifying Tier 1 Instruments** means instruments (whether securities, trust certificates, interests in limited partnerships or otherwise) other than Ordinary Shares or Other Common Equity Tier 1 Instruments, issued directly or indirectly by DIB that:

- (a) will be eligible to constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Additional Tier 1 Capital;
- (b) have terms and conditions not materially less favourable to a holder of the Certificates than the terms and conditions of the Certificates (as reasonably determined by DIB (*provided that* in making this determination DIB is not required to take into account the tax treatment of the new instrument in the hands of all or any Certificateholders, or any transfer or similar taxes that may apply on the acquisition of the new instrument) *provided that* a certification to such effect of two Directors shall have been delivered to the Trustee prior to the variation of the terms of the Certificates in accordance with Condition 10.1(c) or Condition 10.1(d) (as the case may be));
- (c) continue to be obligations of DIB, directly or indirectly or by a guarantee or equivalent support undertaking by DIB;

- (d) rank on a winding-up at least *pari passu* with the Relevant Obligations;
- (e) have the same face value amount, profit distribution dates and profit or distribution rate or rate of return as the Certificates;
- (f) (where the Certificates are varied prior to the First Call Date) have a first call date no earlier than the First Call Date and otherwise have the same optional redemption dates as the Certificates; and
- (g) if, immediately prior to the variation of the terms of the Certificates in accordance with Condition 10.1(c) or Condition 10.1(d) (A) the Certificates were listed or admitted to trading on a Regulated Market, have been listed or admitted to trading on a Regulated Market; or (B) the Certificates were listed or admitted to trading on a recognised stock exchange other than a Regulated Market, have been listed or admitted to trading on any recognised stock exchange (including, without limitation, a Regulated Market), in each case as selected by the Trustee and approved by the Delegate,

and which may include such technical changes as necessary to reflect the requirements of Additional Tier 1 Capital under the Capital Regulations then applicable to DIB (including, without limitation, such technical changes as may be required in the adoption and implementation of the Basel III Documents);

**Rab-al-Maal** has the meaning given to it in Condition 5;

**Rab-al-Maal Final Mudaraba Profit** has the meaning given to it in the Mudaraba Agreement;

**Rab-al-Maal Mudaraba Profit** has the meaning given to it in the Mudaraba Agreement;

**Record Date** means, in the case of the payment of a Periodic Distribution Amount, the date falling on the fifteenth day before the relevant Periodic Distribution Date and, in the case of the payment of a Dissolution Distribution Amount, the date falling two Payment Business Days before the date for payment of the relevant Dissolution Distribution Amount, as the case may be;

**Register** has the meaning given to it in Condition 2.1;

**Registered Account** has the meaning given to it in Condition 9.1;

**Regulated Market** means a regulated market for the purposes of Directive 2014/65/EU, as amended;

**Relevant Date in respect of a Certificate** means (a) the date on which payment in respect of such Certificate first becomes due, or (b) if the full amount of the money payable has not been received by the Principal Paying Agent or the Delegate on or before the due date, the date on which, the full amount of the money having been so received, notice to that effect has been duly given to Certificateholders in accordance with Condition 17;

**Relevant Six Year Reset Rate** means, in respect of each Reset Period: (i) a rate (expressed as a decimal) determined on the relevant U.S. Securities Determination Date to be the per annum rate equal to the weekly average yield to maturity for U.S. Treasury securities with a maturity of six years and trading in the public securities markets; or (ii) if there is no such published U.S. Treasury security with a maturity of six years and trading in the public securities markets, then the rate will be determined on the relevant U.S. Securities Determination Date by interpolation between the most recent weekly average yield to maturity for two series of U.S. Treasury securities trading in the public securities market: (A) one maturing as close as possible to, but earlier than, the immediately following Reset Date; and (B) the other maturity as close as possible to, but later than the

immediately following Reset Date, in each case as published in the most recent H.15 (519). If the Trustee cannot procure the determination of the Relevant Six Year Reset Rate on the relevant Determination Date pursuant to the methods described in (i) and (ii) above, then the Relevant Six Year Reset Rate will be: (i) equal to the rate applicable to the immediately preceding Reset Period; or (ii) in the case of the Reset Period commencing on the First Reset Date, 1.129 per cent.;

**Relevant Jurisdiction** means the Cayman Islands (in the case of any payment made by the Trustee) and the UAE and/or the Emirate of Dubai (in the case of any payment made by DIB) or, in each case, any political sub-division or authority thereof or therein having the power to tax;

**Relevant Obligations** has the meaning given to it Condition 4.2(a);

**Reserved Matter** has the meaning given to it in the Declaration of Trust;

**Reset Date** means the First Reset Date and every sixth anniversary thereafter;

**Reset Period** means the period from (and including) the First Reset Date to (but excluding) the earlier of (a) the Mudaraba End Date and (b) the following Reset Date, and (if applicable) each successive period thereafter from (and including) such Reset Date to (but excluding) the earlier of (i) the Mudaraba End Date and (ii) the next succeeding Reset Date;

**Rules** has the meaning given to it in Condition 20.2;

**Senior Creditors** means creditors of DIB (including depositors (in respect of their due claims) and, for this purpose, holders of any instrument issued by, or other obligation of, DIB which ranks senior to the claims of the Trustee in respect of the Relevant Obligations) other than creditors in respect of obligations the claims in relation to which rank or are expressed to rank *pari passu* with, or junior to, the claims of the Trustee in respect of the Relevant Obligations;

**Senior Obligations** means all unsubordinated payment obligations of DIB (including payment obligations to DIB's depositors (in respect of their due claims)) and all subordinated payment obligations (if any) of DIB except *Pari Passu* Obligations and Junior Obligations;

**Solvency Conditions** has the meaning given to it in Condition 4.2(b);

**Solvent** means that: (a) DIB is able to pay its debts as they fall due and (b) its Assets exceed its Liabilities;

**Subsidiary** means any entity whose financial statements at any time are required by applicable law or in accordance with provisions of generally accepted accounting principles to be fully consolidated with those of DIB;

**Substituted Territory** has the meaning given to it in Condition 12.2;

**Substituted Trustee** has the meaning given to it in Condition 12.2;

**Tax Event** means DIB or the Trustee (as the case may be) would, as a result of a Tax Law Change, in making any payments under the Mudaraba Agreement (in the case of DIB (in its capacity as Mudareb)) on the next due date for a payment of Mudaraba Profit or the Certificates (in the case of the Trustee) on the next due date for payment of a Periodic Distribution Amount (as the case may be) (whether or not a Non-Payment Event has occurred or a Non-Payment Election has been made), be required to pay Additional Amounts (and such requirement cannot be avoided by DIB or the Trustee (as the case may be) taking reasonable measures available to it), and provided that DIB satisfies the Financial Regulator that such Tax Law Change was not reasonably foreseeable at the time of the issuance of the Certificates;

**Tax Law Change** means any change in, or amendment to, the laws, regulations or rulings affecting taxation of any Relevant Jurisdiction, or any change in the official application of such laws, regulations or rulings;

**Tax Redemption Amount** means, in relation to a Certificate, its Prevailing Face Amount together with any Outstanding Payments;

**Taxes** has the meaning given to it in Condition 13;

**Tier 1 Capital** means capital qualifying as, and approved by the Financial Regulator as, tier 1 capital in accordance with the Capital Regulations;

**Transaction Account** has the meaning given to it in Condition 5;

**Transaction Documents** means each of the Declaration of Trust, the Agency Agreement, the Mudaraba Agreement and any other agreements, deeds, undertakings or other documents designated as such by the parties thereto;

**Trust Assets** has the meaning given to it in Condition 5;

**Trustee Administrator** means MaplesFS Limited;

**Trustee Call Amount** means, in relation to a Certificate, its Prevailing Face Amount together with any Outstanding Payments;

**Trustee Event** means any of the following events:

- (a) **Non-Payment:** default is made in the payment of the Dissolution Distribution Amount on the due date for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of any Periodic Distribution Amount only, such default continues for a period of seven days; or
- (b) **Insolvency:** the Trustee is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or (in the opinion of the Delegate) a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Trustee; or
- (c) **Winding-up:** an administrator is appointed, an order is made or an effective resolution is passed for the winding-up or dissolution or administration of the Trustee, or the Trustee applies or petitions for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders; or
- (d) **Analogous Events:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (b) or (c) above;

For the purpose of paragraph (a) above, all amounts payable in respect of the Certificates shall be considered due and payable (including any amounts calculated as being payable under Condition 7.4) notwithstanding that the Trustee has at the relevant time insufficient funds or relevant

Trust Assets to pay such amounts including, without limitation, as a result of any failure by the Mudareb to comply with the matters described in Condition 4.4(c) (save in each case where such insufficient funds arise solely as a result of DIB making a Non-Payment Election or the occurrence of a Non-Payment Event);

**Trustee's Territory** has the meaning given to it in Condition 12.2;

**UAE** means United Arab Emirates;

**U.S. Government Securities Business Day** means any day except for a Saturday, Sunday or a day on which the U.S. Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities;

**U.S. Securities Determination Date** means the second U.S. Government Securities Business Day before the commencement of the Reset Period for which the rate will apply;

**Write-down** means:

- (a) the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) shall automatically be deemed to be irrevocably, unconditionally and permanently written down in a proportion corresponding to the relevant Write-down Amount;
- (b) in the case of the relevant Write-down Amount corresponding to the full proportion of the Prevailing Face Amount of each Certificate then outstanding, the Certificates shall be cancelled; and
- (c) the rights of any Certificateholder for payment of any amounts under or in respect of the Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Dissolution Event) in a proportion corresponding to the relevant Write-down Amount (and any related unpaid Periodic Distribution Amounts) shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date,

and all references to **Written-down** will be construed accordingly; and

**Write-down Amount** means, on any Non-Viability Event Write-down Date, the amount as determined by the Financial Regulator by which the aggregate Prevailing Face Amount of the Certificates then outstanding is to be Written-down on a *pro rata* basis and shall be calculated per Certificate by reference to the Prevailing Face Amount of each Certificate then outstanding which is to be Written-down.

All references in these Conditions to **U.S. dollars** and **U.S.\$** are to the lawful currency of the United States of America.

## **2. FORM, DENOMINATION AND TITLE**

### **2.1 Form and Denomination**

The Certificates are issued in registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, an **Authorised Denomination**). A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Certificateholders (the **Register**).

*Upon issue, the Certificates will be represented by a Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. These Conditions are modified by certain provisions contained in the Global Certificate. Except in certain limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive Certificates representing their holdings of Certificates. See "Global Certificate".*

## **2.2 Title**

The Trustee will cause the Registrar to maintain the Register outside the United Kingdom in accordance with the provisions of the Agency Agreement. Title to the Certificates passes only by registration in the Register. The registered holder of any Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no person will be liable for so treating the holder of any Certificate. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

## **3. TRANSFERS OF CERTIFICATES**

### **3.1 Transfers**

Subject to Conditions 3.4 and 3.5 and the provisions of the Agency Agreement, a Certificate may be transferred in an Authorised Denomination only by depositing the Certificate by which it is represented, with the form of transfer on the back duly completed and signed, at the specified office of any of the Transfer Agents together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the individuals who have executed the forms of transfer.

*Transfers of interests in the Global Certificate will be effected in accordance with the rules of the relevant clearing system through which the interest is held.*

### **3.2 Delivery of New Certificates**

Each new Certificate to be issued upon any transfer of Certificates will, within five business days of receipt by the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), be delivered at the specified office of the relevant Transfer Agent or mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer. For the purposes of this Condition, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five business days of receipt by the relevant Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.



### 3.3 Formalities Free of Charge

Registration of any transfer of Certificates will be effected without charge by or on behalf of the Trustee or any Transfer Agent but upon payment (or the giving of such indemnity as the Trustee or any Transfer Agent may reasonably require) by the transferee in respect of any stamp duty, tax, or other governmental charges which may be imposed in relation to such transfer.

### 3.4 Closed Periods

No Certificateholder may require the transfer of a Certificate to be registered during the period of 15 days ending on a Periodic Distribution Date or any other date on which any payment of the face amount or payment of any premium or profit in respect of a Certificate falls due.

### 3.5 Regulations

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning the transfer of Certificates scheduled to the Declaration of Trust. The Regulations may be changed by the Trustee from time to time with the prior written approval of the Delegate and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

The holder of Certificates shall be entitled to receive, in accordance with Condition 3.2, only one Certificate in respect of his entire holding of Certificates. In the case of a transfer of a portion of the face amount of a Certificate, a new Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 3.2.

## 4. STATUS, SUBORDINATION AND LIMITED RECOURSE

### 4.1 Status

The Certificates represent an undivided ownership interest in the Trust Assets and are limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and shall at all times rank *pari passu* without any preference or priority, with all other Certificates. The rights and claims of the Trustee and the Certificateholders against DIB in respect of the Relevant Obligations are subordinated as described in Condition 4.2.

### 4.2 Subordination

- (a) The payment obligations of DIB under the Mudaraba Agreement (including all payments which are the equivalent of principal (being capital amounts, including the Mudaraba Capital, payable in accordance with the provisions of the Mudaraba Agreement) and profit) (the **Relevant Obligations**) will (i) constitute Additional Tier 1 Capital of DIB, (ii) constitute direct, unsecured, conditional and subordinated obligations of DIB, (iii) rank subordinate and junior to all Senior Obligations but not further or otherwise, (iv) rank *pari passu* with all other *Pari Passu* Obligations, which, for the avoidance of doubt, includes and shall continue to include DIB's obligations under the Existing Tier 1 Securities, and (v) subject to the Solvency Conditions being satisfied at the relevant time and no bankruptcy order having been issued in respect of DIB by a court in the UAE, rank in priority only to all Junior Obligations.
- (b) The rights and claims of the Trustee against DIB in respect of the Relevant Obligations are subordinated in right of payment to the claims of all Senior Creditors and accordingly payments in respect of the Relevant Obligations by DIB are conditional upon the following (together, the **Solvency Conditions**):

- (i) DIB (in its capacity as Mudareb or otherwise) being Solvent at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable;
  - (ii) DIB (in its capacity as Mudareb or otherwise) being capable of making payment of the Relevant Obligations and any other payment that is due to be made on the relevant date to a creditor in respect of all Senior Obligations and all Pari Passu Obligations and still be Solvent immediately thereafter; and
  - (iii) the total share capital (including, without limitation, retained earnings) of DIB being greater than zero at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable.
- (c) The Trustee has agreed in the Mudaraba Agreement that DIB shall be entitled to utilise the Mudaraba Assets (or any part thereof) or utilise the Mudaraba Profit (or any part thereof) to make payments in respect of the claims of Senior Creditors and, for the avoidance of doubt, such entitlement shall apply both in circumstances (i) where DIB (in its capacity as Mudareb or otherwise) is Solvent and/or (ii) where an order has been made, or an effective resolution has been passed, for the winding-up, bankruptcy, dissolution or liquidation (or other analogous event) of DIB (in its capacity as Mudareb or otherwise).
- (d) Notwithstanding any other provision in these Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Mudareb has been issued by a court in the UAE, all claims of the Trustee in respect of the Relevant Obligations will be extinguished and the Certificates will be cancelled without any further payment to be made by the Mudareb in respect of the Relevant Obligations.
- (e) The Trustee may only exercise its enforcement rights in relation to any Relevant Obligation or in relation to any of its other rights under the Mudaraba Agreement or any other Transaction Document in the manner provided in Condition 12.3.
- (f) The Trustee will, in each relevant Transaction Document, unconditionally and irrevocably waive any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of the Relevant Obligations. No collateral is or will be given by DIB for the Relevant Obligations and any collateral that may have been or may in the future be given in connection with other obligations of DIB shall not secure the Relevant Obligations.

#### **4.3 Other Issues**

So long as any of the Certificates remain outstanding, DIB (in its capacity as Mudareb or otherwise) will not issue any securities (regardless of name or designation) or create any guarantee of, or provide any contractual support arrangement in respect of, the obligations of any other entity which in each case constitutes (whether on a solo, or a solo consolidated or a consolidated basis) Additional Tier 1 Capital of DIB if claims in respect of such securities, guarantee or contractual support arrangement would rank (as regards distributions on a return of assets on a winding-up or in respect of distribution or payment of dividends and/or any other amounts thereunder) senior to the Relevant Obligations. This prohibition will not apply if at the same time or prior thereto: (a) these Conditions and (to the extent applicable) the Transaction Documents are amended to ensure that the Trustee (on behalf of the Certificateholders) obtains and/or (b) the Relevant Obligations and DIB's obligations under the Relevant Obligations have, the benefit of, such of those rights and entitlements as are contained in or attached to such securities or under such guarantee or contractual support

arrangement as are required so as to ensure that claims in respect of the Relevant Obligations rank *pari passu* with, and contain substantially equivalent rights of priority as to distributions or payments on, such securities or under such guarantee or contractual support arrangement.

#### **4.4 Limited Recourse and Agreement of Certificateholders**

Save as provided in this Condition 4.4, the Certificates do not represent an interest in any of the Trustee, DIB, the Delegate, any of the Agents or any of their respective affiliates. Each Certificateholder, by subscribing for or acquiring the Certificates, acknowledges and agrees that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (a) no payment of any amount whatsoever shall be made by the Trustee or any of its shareholders, directors, officers, employees or agents on its behalf except to the extent funds are available therefor from the Trust Assets;
- (b) the Trustee may not deal with the Mudaraba Assets or realise or deal with its interest, rights, title, benefit and entitlements, present and future, in to and under the Transaction Documents and the Trust Assets except in the manner expressly permitted by the Transaction Documents;
- (c) the proceeds of the Trust Assets are the sole source of payments on the Certificates. Payment by the Trustee of any Periodic Distribution Amount or any amount required to redeem the Certificates is subject to receipt by the Trustee of the amounts expected to be received by it from the Mudareb in accordance with the provisions of the Mudaraba Agreement. The Mudaraba Agreement provides that there is no guarantee of any return from the Mudaraba Assets and DIB's obligation to pay amounts thereunder are subject to the more detailed provisions set out therein, and references in these Conditions to "Periodic Distribution Amount", "profit" and "Profit Rate" should be construed accordingly;
- (d) if the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets are not sufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents) or of the Delegate or the Agents, or any of their respective affiliates in respect of any such shortfall, and no recourse shall be had, and no holder will have any claim, for the payment of any amount due and owing hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee to the extent the Trust Assets have been exhausted (following which all obligations of the Trustee shall be extinguished) or the Delegate or the Agents;
- (e) it will not petition for, institute, or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee or any of its directors, officers, employees, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;
- (f) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee arising under or in connection with these Conditions or the Transaction Documents by virtue of any customary law, statute or otherwise shall be had against any shareholder, member, officer, agent, director or corporate services provider of the Trustee in their capacity as such. The obligations of the Trustee under these Conditions and the Transaction Documents are

corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents, directors or corporate services provider of the Trustee (in each of their respective capacities as such), save in the case of their wilful default or actual fraud. References in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party;

- (g) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of any sums due under such Certificate. No collateral is or will be given for the payment obligations under the Certificates; and
- (h) the Trustee and Mudareb have agreed in the Mudaraba Agreement that the Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Trustee unless such losses are caused by (i) the Mudareb's breach of the Mudaraba Agreement or (ii) the Mudareb's gross negligence, wilful misconduct or fraud.

DIB is obliged to make certain payments under the Transaction Documents directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and/or the Delegate will, subject to Condition 4.2 and Condition 12.3, have recourse against DIB to recover payments due to the Trustee from DIB pursuant to such Transaction Documents notwithstanding any other provision of this Condition 4.4. Such right of the Trustee and the Delegate shall constitute an unsecured claim against DIB. None of the Certificateholders, the Trustee and the Delegate shall be entitled to claim any priority right in respect of any specific assets of DIB in connection with the enforcement of any such claim.

## 5. THE TRUST

- 5.1 DIB Tier 1 Sukuk (5) Ltd. (in its capacity as Trustee and in its capacity as rab-al-maal (in such capacity, the **Rab-al-Maal**)) will enter into a mudaraba agreement (the **Mudaraba Agreement**) to be dated the Issue Date with DIB (in its capacity as mudareb (in such capacity, the **Mudareb**)). Pursuant to the Mudaraba Agreement, the Rab-al-Maal will contribute the proceeds of the issue of the Certificates to the Mudareb, which proceeds will form the initial capital of the Mudaraba (as defined below) and which may be subject to change after the Issue Date in accordance with Condition 10.2 (the **Mudaraba Capital**). The Mudareb will invest the Mudaraba Capital on an unrestricted co-mingling basis in its general business activities carried out through the General Mudaraba Pool and following investment of the Mudaraba Capital in the General Mudaraba Pool, it shall constitute *pro rata* undivided assets in the General Mudaraba Pool (the **Mudaraba Assets**), in accordance with the Mudaraba Agreement, which shall include an investment plan prepared by the Mudareb and shall constitute a mudaraba (the **Mudaraba**).

The Trustee has opened a non-interest bearing transaction account in London (the **Transaction Account**) in its own name which shall be operated by the Principal Paying Agent on behalf of the Trustee and for the benefit of the Certificateholders, and into which the Mudareb will pay all amounts due to the Trustee under the Mudaraba Agreement. If the Trustee is substituted in accordance with Condition 12.2, the Substituted Trustee will be required to open and maintain a transaction account in London in its name which shall be operated by the Principal Paying Agent on behalf of the Trustee and for the benefit of the Certificateholders and into which the Mudareb will pay all amounts due to the Trustee under the Mudaraba Agreement from the date of substitution onwards, and references in these Conditions to the **Transaction Account** will be construed accordingly.

**5.2** Pursuant to the Declaration of Trust, the Trustee holds:

- (a) the cash proceeds of the issue of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (b) all of its rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets;
- (c) all of its rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by DIB (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee pursuant to clause 12.1 of the Declaration of Trust); and
- (d) all amounts standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing (together, the **Trust Assets**) upon trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each such holder in accordance with the Declaration of Trust and these Conditions.

**5.3** On each Periodic Distribution Date and on any date fixed for payment of the Dissolution Distribution Amount, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority (in each case, only if and to the extent that payments of a higher priority have been made in full):

- (a) *first*, (to the extent not previously paid) to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate in accordance with the Declaration of Trust;
- (b) *second*, only if such payment is due on or before a Periodic Distribution Date (to the extent not previously paid) to pay *pro rata* and *pari passu*, (i) the Trustee in respect of all amounts owing to it under the Transaction Documents in its capacity as trustee; (ii) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents, the Corporate Services Agreement in its capacity as Trustee Administrator; and (iii) each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any Liability (as defined in the Declaration of Trust) incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;
- (c) *third*, only if such payment is due on a Periodic Distribution Date, and subject to Condition 8, in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts (including Additional Amounts) due but unpaid;
- (d) *fourth*, only if such payment is due on a date fixed for payment of the Dissolution Distribution Amount, in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount; and
- (e) *fifth*, only after all amounts required to be paid in respect of the Certificates have been discharged in full, in payment of any residual amount to DIB.

Any such residual amount shall be credited to the Mudaraba Reserve and the balance of amounts standing to the credit of the Mudaraba Reserve, after paying all amounts due to the Trustee pursuant to the Mudaraba Agreement, shall be paid to DIB as an incentive.

## 6. COVENANTS

The Trustee has covenanted in the Declaration of Trust that, *inter alia*, for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate):

- (a) incur any indebtedness in respect of financed, borrowed or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of Shari'a or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;
- (b) secure any of its present or future indebtedness (whether structured in accordance with the principles of Shari'a or otherwise) by granting or permitting to be outstanding any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) or under or pursuant to any of the Transaction Documents);
- (c) sell, transfer, assign, participate, exchange or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise), or permit such to occur or suffer such to exist, any part of its interest in any of the Trust Assets except pursuant to any of the Transaction Documents (other than those arising by operation of law);
- (d) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (e) amend or agree to any amendment to any Certificate or Transaction Document (other than in accordance with the terms thereof) in each case in a manner which is materially prejudicial to the rights of Certificateholders, without the prior approval of the Certificateholders by way of Extraordinary Resolution, save that it shall be permitted to make such variations to the Transaction Documents and these Conditions as are required pursuant to Condition 10.1;
- (f) act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
- (g) have any subsidiaries or employees;
- (h) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;
- (i) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up (except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders) or any resolution for the commencement of any other bankruptcy or insolvency proceedings with respect to it; and
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:
  - (i) as provided for or permitted in the Transaction Documents;

- (ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
- (iii) such other matters which are incidental thereto.

## **7. PERIODIC DISTRIBUTIONS**

### **7.1 Distribution of Mudaraba Profit**

The Trustee has agreed in the Mudaraba Agreement that DIB shall be entitled to utilise the Mudaraba Assets (and the proceeds thereof) in respect of the Certificates to make payments in respect of the claims of Senior Creditors and that such entitlement shall apply at any time before an order has been made, or an effective resolution has been passed, for the winding-up, dissolution or liquidation (or other analogous event) of DIB (in its capacity as Mudareb or otherwise).

### **7.2 Periodic Distribution Amounts**

Subject to Conditions 4.2(d), 4.4, 7.3, 8, 9 and 11, the Trustee shall distribute to Certificateholders, *pro rata* to their respective holdings, out of amounts transferred into the Transaction Account, a distribution in relation to the Certificates on each Periodic Distribution Date equal to the Periodic Distribution Amount. The **Periodic Distribution Amount** payable on each Periodic Distribution Date (a) falling prior to and including the First Reset Date shall be equal to the product of: (A) the Initial Periodic Distribution Rate; and (B) the Prevailing Face Amount of the Certificates then outstanding and (b) falling after the First Reset Date shall be the relevant amount calculated pursuant to Condition 7.4.

### **7.3 Cessation of Accrual**

Subject to Conditions 4.2(d), 8 and 11, each Certificate will cease to be eligible to earn Periodic Distribution Amounts from the due date for redemption, following liquidation of the Mudaraba in accordance with these Conditions and the Mudaraba Agreement.

### **7.4 Periodic Distributions**

Subject to Condition 8, the Certificates are entitled to profit (to be paid out of the Rab-al-Maal Mudaraba Profit or the Rab-al Maal Final Mudaraba Profit, as applicable, payable by DIB pursuant to the terms of the Mudaraba Agreement) at the applicable Profit Rate from (and including) the Issue Date in accordance with the provisions of this Condition 7. Periodic Distribution Amounts will not be cumulative and any Periodic Distribution Amount which is not paid will not accumulate or compound and Certificateholders will have no claim in respect of any such Periodic Distribution Amount at any time, even if Periodic Distribution Amounts are paid in the future.

If DIB makes a Non-Payment Election or a Non-Payment Event occurs, any Periodic Distribution Amount which is not paid to the Certificateholders shall be credited by DIB to the Mudaraba Reserve.

Subject to Condition 8, Periodic Distribution Amounts shall be payable on the Certificates semi-annually in arrear on each Periodic Distribution Date, in respect of the Periodic Distribution Period ending on such date, in each case as provided in this Condition 7.

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Periodic Distribution Period and other than the first Periodic Distribution Period (the **Relevant Period**), it shall be calculated as an amount equal to the product of: (a) the applicable Profit Rate; (b) the Prevailing Face Amount of the relevant Certificate then outstanding; and (c) the applicable Day-



count Fraction for the Relevant Period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

(a) **Periodic Distribution Rate**

For the Initial Period, the Certificates are entitled to profit (to be paid out of the Rab-al-Maal Mudaraba Profit or the Rab-al Maal Final Mudaraba Profit, as applicable, payable by DIB pursuant to the terms of the Mudaraba Agreement) at the Profit Rate of 3.375 per cent. per annum (the **Initial Periodic Distribution Rate**).

The Profit Rate will be reset on each Reset Date on the basis of the aggregate of the Margin and the Relevant Six Year Reset Rate procured by the Trustee on the relevant Determination Date, and notified to the Calculation Agent on such Determination Date.

The Calculation Agent will, as soon as practicable upon determination of the Profit Rate which shall apply to the Reset Period commencing on the relevant Reset Date but in no event later than the second Business Day thereafter, cause the applicable Profit Rate and the corresponding Periodic Distribution Amount to be notified to each of the Paying Agents, the Irish Stock Exchange plc trading as Euronext Dublin or any other stock exchange on which the Certificates are for the time being listed (if then required by such stock exchange) and to be notified to Certificateholders in accordance with Condition 17.

(b) **Calculation Agent**

With effect from the U.S. Securities Determination Date prior to the First Reset Date, and so long as any Certificates remain outstanding thereafter, the Trustee will maintain a Calculation Agent.

The Trustee may, with the prior written approval of the Delegate, from time to time replace the Calculation Agent with another leading investment, merchant or commercial bank or financial institution in London. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or (without prejudice to Condition 7.4(c)) fails duly to determine the Profit Rate in respect of any Reset Period as provided in Condition 7.4(a), the Trustee shall forthwith appoint another leading investment, merchant or commercial bank or financial institution in London approved in writing by the Delegate to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid.

(c) **Determinations of Calculation Agent or Trustee Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7, whether by the Calculation Agent or the Trustee (or its agent), shall (in the absence of manifest error) be binding on the Trustee, DIB, the Calculation Agent, the Paying Agents, the Delegate and all Certificateholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Certificateholders, the Trustee, any Agent or the Delegate shall attach to the Calculation Agent, the Trustee (or its agent) in connection with the exercise or non-exercise by them of any of their powers, duties and discretions.

## **7.5 Capital Event Further Amount**

If the Certificates are redeemed following a Capital Event, the Periodic Distribution Amount payable as part of the Outstanding Payments shall include a further amount in an amount equal to the Capital Event Further Amount. In these Conditions, references to any **Periodic Distribution Amounts** (and



the related expression, Rab-al-Maal Final Mudaraba Profit) shall be deemed, where relevant, to include the Capital Event Further Amount payable under this Condition 7.5.

## **8. PERIODIC DISTRIBUTION RESTRICTIONS**

### **8.1 Non-Payment Event**

Notwithstanding Condition 7.4, if any of the following events occurs (each, a **Non-Payment Event**), DIB (as Mudareb) shall not pay Mudaraba Profit (and, as a result, Rab-al-Maal Mudaraba Profit) or Final Mudaraba Profit (and, as a result, Rab-al-Maal Final Mudaraba Profit) on any Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be), and as a result thereof the Trustee shall not pay Periodic Distribution Amounts on the corresponding Periodic Distribution Date:

- (a) the amount equal to the then applicable Periodic Distribution Amount (which for the purposes of these Conditions includes Additional Amounts as referred to in Condition 13) to be paid by DIB out of the Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as applicable (the **Relevant Rab-al-Maal Mudaraba Profit Amount**), when aggregated with any distributions or amounts payable by DIB (in its capacity as Mudareb or otherwise) on the same date (or otherwise due and payable on such date) on any other obligations in respect of Pari Passu Obligations, exceeds, on the relevant date for payment of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, Distributable Items; or
- (b) DIB (in its capacity as Mudareb or otherwise) is, on that Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be), in breach of the Applicable Regulatory Capital Requirements (including any payment restrictions due to a breach of any capital buffers imposed on DIB by the Financial Regulator) or payment of the Relevant Rab-al-Maal Mudaraba Profit Amount (as applicable) to the Trustee would cause it to be in breach thereof; or
- (c) the Financial Regulator requires (i) DIB not to pay the Relevant Rab-al-Maal Mudaraba Profit Amount to the Trustee on that Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be) or (ii) the Trustee not to pay the relevant Periodic Distribution Amount on that Periodic Distribution Date, in each case, for any reason as it may deem necessary; or
- (d) the Solvency Conditions are not satisfied (or would no longer be met if the Relevant Rab-al-Maal Mudaraba Profit Amount was paid).

### **8.2 Non-Payment Election**

Notwithstanding Condition 7.4, DIB may in its sole discretion elect that Rab-al-Maal Mudaraba Profit will not be paid to the Trustee (in its capacity as Rab-al-Maal) on any Mudaraba Profit Distribution Date, including, without limitation, if DIB incurs a net loss during the relevant financial period and DIB shall, in such case, instruct the Trustee not to make payment of a Periodic Distribution Amount to Certificateholders on such Periodic Distribution Date provided that the foregoing in this Condition 8.2 shall not apply in respect of Rab-al-Maal Final Mudaraba Profit payable on any Mudaraba End Date (any such election being a **Non-Payment Election**).

### **8.3 Effect of Non-Payment Event or Non-Payment Election**

If a Non-Payment Election or a Non-Payment Event occurs, then DIB shall (a) in the case of a Non-Payment Election, no later than seven calendar days prior to such event, and (b) in the case of a Non-Payment Event, as soon as practicable thereafter but in any case no later than five Business Days prior to the relevant Mudaraba Profit Distribution Date or Mudaraba End Date, as the case may be, give notice to the Trustee and the Principal Paying Agent in accordance with the Mudaraba

Agreement, the Delegate in accordance with the Declaration of Trust and Certificateholders in accordance with Condition 17, which notice shall be revocable, in each case providing details of the Non-Payment Election or Non-Payment Event, as the case may be. In the absence of notice of such Non-Payment Election or Non-Payment Event, as the case may be, having been given in accordance with this Condition 8.3, the fact of non-payment of the relevant Periodic Distribution Amount on the relevant Mudaraba Profit Distribution Date or Mudaraba End Date, as the case may be, shall be evidence of the occurrence of a Non-Payment Election or a Non-Payment Event, as the case may be. Certificateholders shall have no claim in respect of any Periodic Distribution Amount due but not paid as a result of either a Non-Payment Election or a Non-Payment Event (in each case, irrespective of whether notice of such Non-Payment Election or Non-Payment Event, as the case may be, has been given in accordance with this Condition 8.3) and any non-payment of Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit (in the case of a Non-Payment Event only) or a Periodic Distribution Amount in such circumstance shall not constitute a Dissolution Event. DIB shall not have any obligation to make any subsequent payment in respect of any such unpaid profit (whether from its own cash resources, from the Mudaraba Reserve or otherwise) (which shall be credited by DIB to the Mudaraba Reserve). The Trustee shall not have any obligation to make any subsequent payment in respect of any such Periodic Distribution Amounts.

#### 8.4 Dividend and Redemption Restrictions

If any amount of Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit or Periodic Distribution Amount is not paid as a consequence of a Non-Payment Election or a Non-Payment Event pursuant to Condition 8.1 or 8.2 (as the case may be), then, from the date of such Non-Payment Election or Non-Payment Event (the **Dividend Stopper Date**), DIB will not, so long as any of the Certificates are outstanding:

- (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, Ordinary Shares (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or
- (b) declare or pay profit or any other distribution on any of its Other Common Equity Tier 1 Instruments or securities ranking, as to the right of payment of dividend, distributions or similar payments, junior to or *pari passu* with the Relevant Obligations (excluding securities the terms of which do not at the relevant time enable DIB to defer or otherwise not to make such payment), only to the extent such restriction on payment or distribution is permitted under the relevant regulatory criteria for Tier 1 Capital applicable from time to time; or
- (c) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Ordinary Shares; or
- (d) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by DIB ranking, as to the right of repayment of capital, junior to or *pari passu* with the Relevant Obligations (excluding securities the terms of which stipulate a mandatory redemption or conversion into equity), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the relevant regulatory criteria for Tier 1 Capital applicable from time to time,

in each case unless or until the next following payment of Rab-al-Maal Mudaraba Profit or (as the case may be) Rab-al-Maal Final Mudaraba Profit following the Dividend Stopper Date has been made in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the Trustee in accordance with the Mudaraba Agreement).

## **9. PAYMENTS**

### **9.1 Payments in respect of the Certificates**

Subject to Condition 9.2, payment of the Dissolution Distribution Amount and any Periodic Distribution Amount will be made by or on behalf of the Trustee in U.S. dollars by wire transfer in same day funds to the Registered Account (as defined below) of the Certificateholder. Payments of the Dissolution Distribution Amount will only be made against presentation and surrender of the relevant Certificate at the specified office of any of the Paying Agents. The Dissolution Distribution Amount and each Periodic Distribution Amount will be paid to the holder shown on the Register at the close of business on the relevant Record Date.

For the purposes of this Condition 9, a Certificateholder's **Registered Account** means the U.S. dollar account maintained by or on behalf of such Certificateholder with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the relevant Record Date.

### **9.2 Payments subject to Applicable Laws**

Payments in respect of Certificates are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 13.

### **9.3 Payment only on a Payment Business Day**

Where payment is to be made by transfer to a Registered Account, payment instructions (for value the due date or, if that is not a Payment Business Day (as defined below), for value the first following day which is a Payment Business Day) will be initiated by the Principal Paying Agent on the due date for payment or, in the case of a payment of the Dissolution Distribution Amount, if later, on the Payment Business Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent for value as soon as practicable thereafter.

Certificateholders will not be entitled to any additional payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day or if the relevant Certificateholder is late in surrendering its Certificate (if required to do so).

If the amount of the Dissolution Distribution Amount or, subject to Conditions 8.1 and 8.2, any Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount in fact paid.

In this Condition 9.3, **Payment Business Day** means a day on which commercial banks and foreign exchange markets in Dubai, London and New York City settle payments and are open for general business and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

### **9.4 Agents**

The names of the initial Agents are set out at the end of these Conditions. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

- (a) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity); and
- (b) so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, it will at all times maintain a Paying

Agent, Registrar and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system.

Notice of any termination or appointment and of any changes in specified offices will be given to Certificateholders promptly by the Trustee in accordance with Condition 17.

## **10. REDEMPTION AND VARIATION**

### **10.1 Redemption and variation**

#### **(a) No Fixed Redemption Date and Conditions for Redemption and Variation**

The Certificates are perpetual securities in respect of which there is no fixed redemption date and the Trustee shall (subject to the provisions of Condition 4.2, Condition 11) and without prejudice to the provisions of Condition 14) only have the right to redeem the Certificates or vary the terms thereof in accordance with the following provisions of this Condition 10.

The redemption of the Certificates or variation of these Conditions, in each case pursuant to this Condition 10, is subject to the following conditions (in addition to those set out elsewhere in this Condition 10.1) (to the extent then required by the Financial Regulator and/or the Capital Regulations):

- (i) DIB having obtained the prior consent of the Financial Regulator;
- (ii) at the time when the relevant notice of redemption or variation is given, DIB is in compliance with the Applicable Regulatory Capital Requirements;
- (iii) immediately following such redemption or variation (as applicable), DIB will be in compliance with the Applicable Regulatory Capital Requirements;
- (iv) the Solvency Conditions are satisfied; and
- (v) (in the case of a redemption or variation pursuant to Conditions 10.1(c) or 10.1(d) only) the Tax Law Change or Capital Event, as the case may be, becomes, or would become, effective on or after the Issue Date.

If the Trustee (upon the instructions of DIB (acting in its sole discretion)) gives a notice of redemption in accordance with this Condition 10 and, after giving such notice but prior to the relevant redemption date specified in such notice, a Non-Viability Event occurs, the relevant notice of redemption shall be automatically rescinded and shall be of no force and effect, the Certificates will not be redeemed on the scheduled date of redemption and instead a Write-down shall occur in accordance with Condition 11.

Following the occurrence of a Non-Viability Event, the Trustee (upon the instructions of DIB (acting in its sole discretion)) shall not be entitled to give a notice of redemption in accordance with Condition 10 prior to the Non-Viability Event Write-down Date.

#### **(b) Trustee's Call Option**

Subject to Condition 10.1(a), DIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall give not less than 10 nor more than 15 days' prior notice to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust, and, provided that any such notice has not been revoked by the Trustee (upon the instructions of DIB (acting in its sole discretion)) by giving notice of such revocation to the

Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust prior to the redemption date specified in the initial notice, redeem all, but not some only, of the Certificates at the Trustee Call Amount.

Redemption of the Certificates pursuant to this Condition 10.1(b) may only occur on a Call Date.

**(c) Redemption or Variation due to Taxation**

- (i) Subject to Condition 10.1(a) and the provisions of this Condition 10.1(c), if a Tax Event occurs, DIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than ten nor more than 15 days' prior notice to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust, and, provided that any such notice has not been revoked by the Trustee (upon the instructions of DIB (acting in its sole discretion)) by giving notice of such revocation to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust prior to the redemption date specified in the initial notice (A) redeem all, but not some only, of the Certificates at the Tax Redemption Amount; or (B) vary the terms of the Mudaraba Agreement (subject to the approval of the Internal Sharia Supervision Committee of the Mudareb) and the Certificates such that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments, in each case without any requirement for consent or approval of the Certificateholders, and in the case of (B) only provided that such modifications or any document giving effect to such modifications do not impose, in the Delegate's sole opinion, more onerous obligations or duties upon it or expose it to liabilities or reduce its protections, and that such modifications or any document giving effect to such modifications are approved by the Trustee and the Delegate. If DIB does not instruct the Trustee to so redeem or vary in accordance with this Condition 10.1(c)(i) in respect of such Tax Event then the Certificates shall continue to be perpetual securities in respect of which there is no fixed redemption date unless the Trustee shall otherwise (subject to the provisions of Condition 4.2, Condition and Condition 12.3 and without prejudice to the provisions of Condition 14) redeem the Certificates or vary the terms thereof in accordance with the provisions of this Condition 10.
- (ii) Redemption of the Certificates, or variation of these Conditions, pursuant to this Condition 10.1(c) may occur on any date on or after the Issue Date (whether or not a Periodic Distribution Date).
- (iii) At the same time as the delivery of any notice of redemption or variation, as the case may be, pursuant to this Condition 10.1(c), DIB shall give to the Trustee and the Delegate a certificate signed by two Directors (upon which the Delegate may rely without liability to any person) stating that (A) the conditions set out in Condition 10.1(a) have been satisfied; (B) a Tax Event has occurred; and (C) in the case of a variation only, the Certificates, as so varied, are Qualifying Tier 1 Instruments and that the Financial Regulator has confirmed that they satisfy limb (a) of the definition of Qualifying Tier 1 Instruments. Such certificate shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above in this Condition 10.1(c)(iii) and the Delegate shall be entitled to accept and rely on such certificate as sufficient evidence of the satisfaction of such conditions precedent without liability to any person. Upon expiry of such notice and provided that it has not been revoked, the Trustee shall redeem or vary the terms of the Certificates, as the case may be.

**(d) Redemption or Variation for Capital Event**

- (i) Subject to Condition 10.1(a) and the provisions of this Condition 10.1(d), if a Capital Event occurs, DIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than ten nor more than 15 days' prior notice to the Certificateholders

in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust, and, provided that any such notice has not been revoked by the Trustee (upon the instructions of DIB (acting in its sole discretion)) by giving notice of such revocation to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust prior to the redemption date specified in the initial notice, (A) redeem all, but not some only, of the Certificates at the Capital Event Amount; or (B) solely for the purpose of ensuring compliance with the Applicable Regulatory Capital Requirements vary the terms of the Mudaraba Agreement (subject to the approval of the Internal Sharia Supervision Committee of the Mudareb) and the Certificates such that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments without any requirement for consent or approval of the Certificateholders, and in the case of (B) only provided that such modifications or any document giving effect to such modifications do not impose, in the Delegate's sole opinion, more onerous obligations or duties upon it or expose it to liabilities or reduce its protections, and that such modifications or any document giving effect to such modifications are approved by the Trustee and the Delegate. If DIB does not instruct the Trustee to so redeem or vary in accordance with this Condition 10.1(d)(i) in respect of such Capital Event then the Certificates shall continue to be perpetual securities in respect of which there is no fixed redemption date unless the Trustee shall otherwise (subject to the provisions of Condition 4.2, Condition 11 and Condition 12.3 and without prejudice to the provisions of Condition 14) redeem the Certificates or vary the terms thereof in accordance with the provisions of this Condition 10.

- (ii) Redemption of the Certificates, or variation of these Conditions, pursuant to this Condition 10.1(d) may occur on any date on or after the Issue Date (whether or not a Periodic Distribution Date).
- (iii) At the same time as the delivery of any notice of redemption or variation, as the case may be, pursuant to this Condition 10.1(d), DIB shall give to the Trustee and the Delegate a certificate signed by two Directors (upon which the Delegate may rely without liability to any person) stating that (A) the conditions set out in Condition 10.1(a) have been satisfied; (B) a Capital Event has occurred; and (C) in the case of a variation only, the Certificates, as so varied, are Qualifying Tier 1 Instruments and the Financial Regulator has confirmed that they satisfy limb (a) of the definition of Qualifying Tier 1 Instruments. Such certificate shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above in this Condition 10.1(d)(iii) and the Delegate shall be entitled to accept and rely on such certificate as sufficient evidence of the satisfaction of such conditions precedent without liability to any person. Upon expiry of such notice and provided that it has not been revoked, the Trustee shall redeem or vary the terms of the Certificates, as the case may be.

**(e) Taxes upon Variation**

In the event of a variation in accordance with Conditions 10.1(c) or 10.1(d), none of the Trustee, the Delegate and DIB will be obliged to pay and will not pay any liability of any Certificateholder to corporation tax, corporate income tax or tax on profits or gains or any similar tax arising in respect of the variation of the terms of the Certificates provided that (in the case of a Tax Event) or so that (in the case of a Capital Event) the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments, including in respect of any stamp duty or similar other taxes arising on any subsequent transfer, disposal or deemed disposal of the Qualifying Tier 1 Instruments by such Certificateholder.

**10.2 Purchase**

Subject to DIB (to the extent then required by the Financial Regulator and/or the Capital Regulations) (a) obtaining the prior written consent of the Financial Regulator, (b) being in



compliance with the Applicable Regulatory Capital Requirements immediately following such purchase, and (c) being Solvent at the time of purchase, DIB or any of its Subsidiaries may, after the First Call Date, purchase the Certificates in the open market or otherwise at such price(s) and upon such other conditions as may be agreed upon between DIB or the relevant Subsidiary (as the case may be) and the relevant Certificateholder(s). Upon any purchase, DIB shall deliver such Certificates to any Paying Agent for cancellation and upon such cancellation, the Mudaraba Capital shall be reduced by the Prevailing Face Amount of the Certificates so cancelled.

### **10.3 Cancellation**

All Certificates that are redeemed and all Certificates that are purchased pursuant to Condition 10.2 and which DIB delivers for cancellation in accordance with Condition 10.2 will forthwith be cancelled and accordingly may not be held, reissued or resold.

## **11. WRITE-DOWN AT THE POINT OF NON-VIABILITY (AS PRESCRIBED BY THE FINANCIAL REGULATOR)**

### **11.1 Non-Viability Event**

If a Non-Viability Event occurs, a Write-down will take place in accordance with Condition 11.2.

### **11.2 Non-Viability Notice**

On the third Business Day following the date on which such Non-Viability Event occurs (or on such earlier date as determined by the Financial Regulator), the Mudareb will notify the Trustee in writing thereof in accordance with the Mudaraba Agreement and the Trustee will then notify the Delegate, the Certificateholders and the Principal Paying Agent in writing thereof in accordance with Condition 17 (a **Non-Viability Notice**). A Write-down will occur on the Non-Viability Event Write-down Date. In the case of a Write-down resulting in the reduction of the Prevailing Face Amount of each Certificate then outstanding to nil, the Mudaraba Agreement will be automatically terminated with effect from the Non-Viability Event Write-down Date and the Trustee shall not be entitled to any claim for any amounts in connection with the Mudaraba Assets.

## **12. DISSOLUTION EVENTS AND WINDING-UP**

The Declaration of Trust contains provisions entitling the Delegate to claim from the Trustee and DIB, *inter alia*, the fees, expenses and liabilities incurred by it in carrying out its duties under the Declaration of Trust. The restrictions on commencing proceedings described below will not apply to any such claim.

### **12.1 DIB Events**

If a DIB Event occurs, the Delegate (provided it shall have been given notice in writing thereof by the Trustee or DIB or otherwise upon becoming aware of such DIB Event through actual knowledge or express notice) shall as soon as practicable give notice of the occurrence of such DIB Event to the Certificateholders in accordance with Condition 17 with a request to such Certificateholders to indicate to the Trustee and the Delegate in writing if they wish the Certificates to be redeemed and the Trust to be dissolved (a **Dissolution Request**). The Delegate may, and if so requested in writing by the Certificateholders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding, or if so directed by an Extraordinary Resolution of Certificateholders, the Delegate shall (but in each case subject to Condition 12.3(e)(i)), give notice (a **Dissolution Notice**) to the Trustee that the Certificates are immediately due and payable at the Prevailing Face Amount of the Certificates then outstanding together with any Outstanding Payments, whereupon the aggregate face amount of the Certificates then outstanding together with any Outstanding Payments shall

become immediately due and payable. A Dissolution Notice may be given whether or not a Dissolution Request has been given to Certificateholders.

## **12.2 Trustee Events**

- (a) DIB has undertaken in the Declaration of Trust that, as soon as practicable following the occurrence of a Trustee Event, it will procure, subject to such amendment of the Declaration of Trust and such other conditions as the Delegate may require and subject to the consent of the Financial Regulator, the substitution of any newly formed special purpose company in form substantially the same as that of the Trustee, in place of the Trustee (the **Substituted Trustee**), or of any previous substituted company, as trustee and issuer under the Declaration of Trust and the Certificates provided that:
  - (i) a deed is executed or undertaking given by the Substituted Trustee to the Delegate, in form and manner satisfactory to the Delegate, agreeing to be bound by the Declaration of Trust, the Certificates and the Transaction Documents (with consequential amendments as the Delegate may deem appropriate) as if the Substituted Trustee had been named in the Declaration of Trust, the Certificates and the other Transaction Documents as trustee and issuer in place of the Trustee;
  - (ii) if the Substituted Trustee is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the **Substituted Territory**) other than the territory of the taxing jurisdiction to which (or to any such authority of or in which) the Trustee is subject generally (the **Trustee's Territory**), the Substituted Trustee shall (unless the Delegate otherwise agrees) give to the Delegate an undertaking satisfactory to the Delegate in terms corresponding to Condition 13 with the substitution for or the addition to the references in that Condition and the definition of Relevant Jurisdiction to the Trustee's Territory of references to the Substituted Territory whereupon the Declaration of Trust and the Certificates shall be read accordingly (and DIB shall also be required to give to the Delegate an undertaking satisfactory to the Delegate in terms corresponding to the last paragraph of Condition 13, extending its obligations thereunder to the Substituted Territory);
  - (iii) if any two directors of the Substituted Trustee certify that it will be solvent immediately after such substitution, the Delegate need not have regard to the Substituted Trustee's financial condition, profits or prospects or compare them with those of the Trustee; and
  - (iv) the Trustee, the Substituted Trustee and DIB comply with such other requirements as the Delegate may direct in the interests of the Certificateholders.
- (b) Subject to this Condition 12.2, the Delegate may agree to the substitution of the Substituted Trustee without obtaining the consent of the Certificateholders (it being acknowledged that each Certificateholder has by virtue of the last paragraph of the preamble to these Conditions authorised each Substituted Trustee to act as Rab-al-Maal pursuant to the Mudaraba Agreement on its behalf).
- (c) If DIB fails to comply with the foregoing provisions of this Condition 12.2 within 60 days of the occurrence of the relevant Trustee Event, Conditions 12.1 and 12.3 shall apply to the relevant Trustee Event as if it was a DIB Event.

## **12.3 Winding-up, dissolution or liquidation**

### **(a) Proceedings for Winding-up**

If a DIB Event occurs and a Dissolution Notice is delivered pursuant to Condition 12.1, the Mudaraba will be liquidated in accordance with the provisions of the Mudaraba Agreement, and either the Trustee or the Delegate may at its discretion, and the Delegate shall if so requested in writing by the Certificateholders holding at least 20 per cent of the aggregate face amount of the



Certificates then outstanding (subject in each case to Condition 12.3(e)(i)), (i) institute any steps, actions or proceedings for the winding-up of DIB and/or (ii) prove in the winding-up of DIB and/or (iii) institute any steps, actions or proceedings for the bankruptcy of DIB and/or (iv) claim in the liquidation of DIB and/or (v) take such other steps, actions or proceedings which, under the laws of the UAE, have an analogous effect to the actions referred to in (i) to (iv) above, in each case, for (subject as set out below) all amounts of Mudaraba Capital, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit and/or other amounts due to the Trustee on termination of the Mudaraba Agreement in accordance with its terms and the terms of the other Transaction Documents, provided, however, that the Trustee or the Delegate may only take such steps, actions or proceedings as described in this Condition 12.3(a), but may take no further or other steps, actions or proceedings to enforce, prove or claim for any payment and provided further that neither the Trustee nor the Delegate may take any steps, actions or proceedings against DIB with respect to any sum that DIB has paid into the Transaction Account in accordance with the Transaction Documents in circumstances where the Trustee has failed to pay that amount to Certificateholders in accordance with these Conditions. No payment in respect of the Transaction Documents may be made by DIB as a result of any steps, actions or proceedings taken pursuant to Condition 12.1, nor will the Trustee or the Delegate accept the same, otherwise than during or after a winding-up (or analogous event) of DIB, unless DIB has given prior written notice (with a copy to the Trustee and the Delegate) to, and received no objection from, the Financial Regulator (which DIB shall confirm in writing to the Trustee and the Delegate).

**(b) Enforcement**

Without prejudice to Condition 12.1 and the remaining provisions of this Condition 12.3, the Trustee (or the Delegate) may at its discretion and the Delegate shall if so requested in writing by the Certificateholders holding at least 20 per cent. of the aggregate face amount of the Certificates then outstanding and without further notice (subject in each case to Condition 12.3(e)(i)) institute such steps, actions or proceedings against DIB, and the Delegate may at its discretion and without further notice institute such steps, actions or proceedings against the Trustee, as it may think fit to enforce any term or condition binding on DIB or the Trustee (as the case may be) under the Transaction Documents (other than any payment obligation of DIB under or arising from the Transaction Documents, including, without limitation, payment of any principal or satisfaction of any payments in respect of the Transaction Documents, including any damages awarded for breach of any obligations), including, without limitation, any failure by DIB to procure the substitution of the Trustee in the circumstances described in Condition 12.2. However, in no event shall DIB, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it in accordance with the Transaction Documents. Nothing in this Condition 12.3 shall, however, prevent the Trustee (or the Delegate) from taking such steps, actions or proceedings as described in Condition 12.3(a) in respect of any payment obligations of DIB arising from the Mudaraba Agreement or any other Transaction Document (including any damages awarded for breach of any obligations).

**(c) Non-Viability and Solvency Conditions**

All claims by the Delegate and/or the Certificateholders against the Trustee under the Certificates and all claims by the Trustee (or the Delegate) against DIB under the Transaction Documents (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Trustee and/or DIB under the Certificates or the Transaction Documents, as the case may be) shall be subject to, and shall be superseded by: (i) the provisions of Condition 11, irrespective of whether the relevant Non-Viability Event occurs prior to or after the event which is the subject matter of the claim and (ii) the provisions of Condition 4.2(d), irrespective of whether the breach of a Solvency Condition at the relevant time or the issue of a bankruptcy order in respect of DIB occurs prior to or after the event which is the subject matter of the claim, in each case provided that nothing in these Conditions or the Transaction Documents shall affect or prejudice the payment of the actual costs,

charges, expenses, liabilities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof, all of which shall accordingly remain unsubordinated.

**(d) Extent of Certificateholder remedy**

No remedy against DIB, other than as referred to in this Condition 12, shall be available to the Delegate, the Trustee or the Certificateholders, whether for the recovery of amounts owing in respect of the Transaction Documents or in respect of any breach by DIB of any of its other obligations under or in respect of the Transaction Documents.

**(e) Realisation of Trust Assets**

- (i) Neither the Trustee nor the Delegate shall be bound to take any steps, actions or proceedings to enforce or to realise the Trust Assets or any of the steps, actions or proceedings referred to in these Conditions in respect of DIB or, in the case of the Delegate only, the Trustee to enforce the terms of the Transaction Documents or give a Dissolution Notice (including, without limitation, pursuant to this Condition 12), unless (A) it shall have been so requested by an Extraordinary Resolution of the Certificateholders or in writing by Certificateholders holding at least 20 per cent. of the aggregate face amount of the Certificates then outstanding and (B) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction provided that the Delegate shall not be liable for the consequences of exercising its discretion or taking such steps, actions or proceedings and may do so without having regard to the effect of such action on individual Certificateholders.
- (ii) No Certificateholder shall be entitled to proceed directly against the Trustee or DIB or to take the steps, actions or proceedings referred to in Conditions 12.3(a) and 12.3(b) above, unless the Delegate, having become bound so to proceed, (A) fails to do so within a reasonable period, or (B) is unable by reason of an order of a court having competent jurisdiction to do so, and such failure or inability shall be continuing, in which case the Certificateholders shall have only such rights against DIB as those which the Trustee or the Delegate is entitled to exercise as set out in this Condition 12.3.
- (iii) Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and DIB shall be to enforce their respective obligations under the Transaction Documents.
- (iv) The foregoing paragraphs in this Condition 12.3(e) are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the net proceeds thereof in accordance with these Conditions and the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Certificates and the right to receive any such sums remaining unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

**13. TAXATION**

All payments in respect of the Certificates shall be made free and clear of and without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction (**Taxes**), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay, in respect of Periodic Distribution Amounts

(but not, for the avoidance of doubt, in respect of Dissolution Distribution Amounts (other than any Outstanding Payments)), additional amounts (**Additional Amounts**) as shall be necessary in order that the net amounts of Periodic Distribution Amounts received by the Certificateholders after such withholding or deduction shall equal the respective amounts of Periodic Distribution Amounts due and payable to any Certificateholder which would otherwise been receivable in the absence of such withholding or deduction, except that no such Additional Amount shall be payable in relation to any payment in respect of any Certificate:

- (a) the holder of which is liable for such Taxes in respect of such Certificate by reason of having some connection with any Relevant Jurisdiction other than the mere holding of such Certificate; or
- (b) presented for payment (where presentation is required) more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to Additional Amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Payment Business Day.

In these Conditions, references to any **Periodic Distribution Amounts** (and related expressions including, without limitation, **Rab-al-Maal Mudaraba Profit**, **Rab-al-Maal Final Mudaraba Profit** and **Outstanding Payments**) shall be deemed to include any Additional Amounts payable under this Condition 13 or any undertaking given in addition to or in substitution for it under the Declaration of Trust.

Notwithstanding any other provision in these Conditions, in no event will the Trustee be required to pay any additional amounts in respect of the Certificates for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (as amended, the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

The Mudaraba Agreement provides that all payments made thereunder by DIB (in its capacity as the Mudareb) to the Trustee shall be made without any withholding or deduction for, or on account of, any present or future Taxes, unless such withholding or deduction is required by law. In the event there is any such withholding or deduction in relation to any Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, DIB shall pay such Additional Amounts as shall result in the receipt by the Trustee of such net amounts of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, as would have been receivable by it if no such withholding or deduction had been required. To the extent that any such Additional Amounts are paid by DIB pursuant to the Mudaraba Agreement, DIB shall be entitled to recover amounts equal to such Additional Amounts from any amounts (if any) standing to the credit of the Mudaraba Reserve and if, following such recovery a shortfall remains between the amounts standing to the credit of the Mudaraba Reserve and such Additional Amounts paid by DIB (such shortfall, the **Additional Amounts Shortfall**), DIB shall be entitled to recover amounts equal to such Additional Amounts Shortfall from any Liquidation Proceeds (after taking into account amounts equal to the then applicable Dissolution Distribution Amount payable to the Trustee on the Mudaraba End Date pursuant to the Mudaraba Agreement).

#### 14. **PRESCRIPTION**

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within periods of ten years (in the case of the Dissolution Distribution Amount) and five years (in the case of Periodic Distribution Amounts or Outstanding Payments) from the Relevant Date in respect thereof. Any amounts in respect of which claims have been prescribed under this Condition 14 shall

be promptly donated by the Trustee to a registered or otherwise officially recognised charitable organisation.

## **15. DELEGATE**

### **15.1 Delegation of Powers**

The Trustee will in the Declaration of Trust irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deed, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Declaration of Trust, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, (a) exercise all of the rights of the Trustee under the Mudaraba Agreement and any of the other Transaction Documents and (b) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Declaration of Trust (together, the **Delegation of the Relevant Powers**), provided that: (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, right, authority or discretion to dissolve the trusts constituted by the Declaration of Trust following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Declaration of Trust.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

### **15.2 Indemnification**

The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking any action, step or proceeding unless indemnified and/or secured and/or pre-funded to its satisfaction. In particular, but without limitation, in connection with the exercise of any of its rights in respect of the Trust Assets or any other right it may have pursuant to the Declaration of Trust or the other Transaction Documents, the Delegate shall in no circumstances be bound to take any action, step or proceeding unless directed to do so in accordance with Condition 12, and then only if it shall also have been indemnified and/or secured and/or pre-funded to its satisfaction.

### **15.3 No Liability**

- (a) The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of DIB or the Trustee under the Transaction Documents and shall not under any circumstances have any liability or be obliged to account to the Certificateholders in respect of any payments which should have been paid by DIB or the Trustee but are not so paid and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration of Trust.

- (b) Each of the Trustee and the Delegate is exempted from: (i) any liability in respect of any loss or theft of the Trust Assets or any cash; (ii) any obligation to insure the Trust Assets or any cash; and (iii) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of actual fraud, wilful default or gross negligence by the Trustee or the Delegate, as the case may be.

#### **15.4 Reliance on Opinions, Certificates, Reports and/or Information**

The Delegate may rely on any opinion, certificate, report or information of the auditors or insolvency officials (as applicable) of the Trustee or DIB or any other expert or other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Declaration of Trust or the other Transaction Documents and such opinion, certificate, report or information may be relied upon by the Delegate (without liability to any person) as sufficient evidence of the facts stated therein notwithstanding that such opinion, certificate, report, information and/or any engagement letter or other document entered into by the Delegate or any other person in connection therewith contains a monetary or other limit on the liability of the auditors or insolvency officials of the Trustee or DIB or such other expert or other person in respect thereof and notwithstanding that the scope and/or basis of such opinion, certificate, report or information may be limited by an engagement or similar letter or by the terms of the opinion, certificate, report or information itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability, delay or inconvenience that may be occasioned by its failure to do so.

#### **15.5 Proper performance of duties**

Nothing shall, in the case of the Trustee (having regard to the provisions of the Declaration of Trust conferring on it any trusts, powers, authorities or discretions) or as donee and delegate, in the case of the Delegate (having regard to the powers, authorities and discretions conferred on it by the Declaration of Trust and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any Liability for gross negligence, wilful default or actual fraud of which either of them may be guilty in relation to their duties under the Declaration of Trust.

#### **15.6 Notice of Events**

The Delegate shall not be responsible for monitoring or ascertaining whether or not a Non-Payment Event, Capital Event, Tax Event, Non-Viability Event, Dissolution Event or Potential Dissolution Event has occurred or exists or is continuing or will occur or exist and, unless and until it shall have received express written notice to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred or is continuing (without any liability to the Certificateholders or any other person for so doing).

### **16. REPLACEMENT OF CERTIFICATES**

If a definitive Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar (and if the Certificates are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the

Trustee, DIB, the Registrar, the Paying Agent or the Transfer Agent may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## **17. NOTICES**

Notices to Certificateholders will be deemed to be validly given if mailed to Certificateholders by pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses in the Register. The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Certificates are for the time being admitted to listing, trading and/or quotation. Any notices shall be deemed to have been given on the day after being so mailed (or on the date of publication, or if so published more than once or on different dates, on the date of the first publication).

Notices to be given by any Certificateholder shall be in writing and given by lodging the same, together with evidence of entitlement to the relevant Certificates, with the Principal Paying Agent.

## **18. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION**

- 18.1** The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Transaction Documents. Such a meeting may be convened by Certificateholders holding not less than 10 per cent. in face amount of the Certificates then outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more Certificateholders, proxies or representatives holding or representing in aggregate more than 50 per cent. in face amount of the Certificates then outstanding, or at any adjourned such meeting one or more Certificateholders, proxies or representatives present whatever the face amount of the Certificates held or represented, except that any meeting the business of which includes consideration of proposals, *inter alia*, (a) to modify any date for payment in respect of the Certificates, (b) to reduce or cancel or vary the method for calculating the amount of any payment due in respect of the Certificates, (c) to amend any of the Trustee's and/or DIB's covenants set out in the Transaction Documents, (d) to amend the covenant given by the Trustee and the Delegate in clause 14 of the Declaration of Trust, (e) to alter the currency of payment or the denomination of the Certificates, (f) to modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution, (g) to sanction any such substitution as is described in paragraph 5.9(i) of Schedule 4 to the Declaration of Trust, or (h) to amend the above list or the proviso to paragraph 4.6 of Schedule 4 to the Declaration of Trust, in which case the quorum shall be one or more Certificateholders, proxies or representatives holding or representing in aggregate not less than two-thirds, or at any adjourned such meeting not less than one-third, in face amount of the Certificates for the time being outstanding. To be passed, an Extraordinary Resolution requires (i) a majority in favour consisting of not less than 75 per cent. of the votes cast, (ii) a Written Resolution (as defined in the Declaration of Trust) or (iii) Electronic Consent (as defined in the Declaration of Trust). Any Extraordinary Resolution, if duly passed, will be binding on all Certificateholders, whether or not they were present at the meeting at which such resolution was passed and whether or not they voted.
- 18.2** The Declaration of Trust provides that a Written Resolution or an Electronic Consent shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a Written Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders. Such a Written Resolution and/or Electronic Consent will be binding on all Certificateholders whether or not they participated in such Written Resolution or Electronic Consent.

- 18.3** The Delegate may (but shall not be obliged to), without the consent of the Certificateholders: (a) agree to any modification to these Conditions or any provisions of the Transaction Documents which, in the sole opinion of the Delegate, is of a formal, minor or technical nature or is made to correct a manifest error; (b) agree to any modification (other than in respect of a Reserved Matter) of these Conditions, the Declaration of Trust or any other Transaction Document, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Trust or the other Transaction Documents; or (c) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided in the case of limbs (b) and (c) above that such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of Certificateholders and that such waiver, authorisation or determination is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding.
- 18.4** In connection with the exercise by it of any of its powers, authorities and discretions (including, without limitation, those referred to in this Condition 18), the Delegate shall have regard to the interests of the Certificateholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof) and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Delegate or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders except to the extent provided in Condition 13.
- 18.5** Any modification, waiver, authorisation or determination shall be binding on all of the Certificateholders and shall be notified to the Certificateholders as soon as practicable thereafter in accordance with Condition 17.

**19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

**20. GOVERNING LAW AND DISPUTE RESOLUTION**

**20.1 Governing Law**

The Declaration of Trust (including these Conditions) and the Certificates, and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

**20.2 Arbitration**

Subject to Condition 20.3, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Declaration of Trust (including these Conditions) and the Certificates (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity of any of them or a dispute relating to any non-contractual obligations arising out of or in connection with them) (a **Dispute**) shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the LCIA (the **Rules**), which Rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 20.2. For these purposes:



- (a) the seat of arbitration shall be London;
- (b) there shall be three arbitrators, each of whom shall be disinterested in the arbitration and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall nominate a further arbitrator who shall be the presiding arbitrator of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly, shall each nominate one arbitrator. If the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the nomination of the second arbitrator, such arbitrator shall be appointed by the LCIA; and
- (c) the language of the arbitration shall be English.

### **20.3 Option to Litigate**

Notwithstanding Condition 20.2 above, the Delegate may in the alternative, and at its sole discretion, by notice in writing to the Trustee and DIB (as applicable):

- (a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
- (b) if no arbitration has commenced,

require that a Dispute be heard by a court of law. If such notice is given, the Dispute to which such notice refers shall be determined in accordance with Condition 20.5 and any arbitration commenced under Condition 20.2 in respect of that Dispute will be terminated. With the exception of the Delegate (whose costs will be borne by the Trustee, failing which DIB), each of the parties to the terminated arbitration will bear its own costs in relation thereto.

### **20.4 Notice to Terminate**

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate must promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (a) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
- (b) his entitlement to be paid his proper fees and disbursements; and
- (c) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

### **20.5 Submission to Jurisdiction**

If a notice is issued pursuant to Condition 20.3, the following provisions shall apply:

- (a) subject to paragraph (c) below, the courts of England or the courts of the Dubai International Financial Centre (the **DIFC**), at the option of the Delegate, shall have exclusive jurisdiction to settle any Dispute and each of the Trustee and DIB submits to the exclusive jurisdiction of such courts;



- (b) each of the Trustee and DIB agrees that the courts of either England or the DIFC, as the case may be, at the option of the Delegate, are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
- (c) this Condition 20.5 is for the benefit of the Delegate only. As a result, and notwithstanding paragraphs (a) and (b) above, the Delegate may take proceedings relating to a Dispute (the **Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, the Delegate may take concurrent Proceedings in any number of jurisdictions.

## **20.6 Appointment of Process Agent**

Each of the Trustee and DIB has, in the Declaration of Trust, appointed Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street, London EC1A 4HD as its agent for service of process in England and has undertaken that, in the event of Maples and Calder ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes and notify the Delegate and the Certificateholders of such appointment in accordance with this Condition 20.6. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

## **20.7 Waiver of Immunity**

Under the Declaration of Trust, DIB has agreed that, to the extent that it may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment, proceedings, injunctions and all other legal proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, it will not claim and has irrevocably and unconditionally waived such immunity in relation to any Proceedings or Disputes. Further, DIB has irrevocably and unconditionally consented to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment, proceedings and injunctions in connection with any Proceedings or Disputes.

## **20.8 Waiver of Interest**

- (a) Each of the Trustee, DIB and the Delegate has irrevocably agreed in the Declaration of Trust that no interest will be payable or receivable under or in connection therewith and in the event that it is determined that any interest is payable or receivable in connection therewith by a party, whether as a result of any judicial award or by operation of any applicable law or otherwise, such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall promptly donate the same to a registered or otherwise officially recognised charitable organisation.
- (b) For the avoidance of doubt, nothing in this Condition 20.8 shall be construed as a waiver of rights in respect of Mudaraba Profit, Final Mudaraba Profit, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit, Indemnity Payment, Capital Event Further Amount, Periodic Distribution Amounts, Outstanding Payments or profit of any kind howsoever described payable by DIB (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

## GLOBAL CERTIFICATE

*The Global Certificate contains the following provisions which apply to the Certificates whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning below.*

### Form of the Certificates

The Certificates will be in registered form and will be issued outside the United States to persons who are not U.S. persons in reliance on Regulation S.

The Certificates will be represented by beneficial interests in a global certificate in registered form the Global Certificate. The Global Certificate will be deposited with a common depositary for Euroclear and Clearstream and will be registered in the name of a nominee for the common depositary. Persons holding ownership interests in the Global Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Certificates in fully registered form.

### Holders

For so long as the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the registered holder of the Global Certificate shall, except as ordered by a court of competent jurisdiction or as required by law, be treated as the owner thereof (the **Registered Holder**). Each of the persons (other than another clearing system) who is for the time being shown in the records of either such clearing system as the holder of a particular aggregate face amount of such Certificates (the **Accountholders**) (in which regard any certificate or other document issued by a clearing system as to the aggregate face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the Certificateholder in respect of the aggregate face amount of such Certificates standing to its account in the records of Euroclear or Clearstream, Luxembourg, as the case may be, other than for the purpose of payments in respect thereof, the right to which shall be vested solely in the Registered Holder, as against the Trustee and an Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Registered Holder (and such payment obligations of the Trustee will be discharged by payment to the Registered Holder in respect of each amount so paid), and the expressions **Certificateholder** and **holder of Certificates** and related expressions shall be construed accordingly. In addition, holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the relevant Certificates. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

### Cancellation

Cancellation of any Certificate represented by the Global Certificate will be effected by reduction in the aggregate face amount of the Certificates in the Register.

### Payments

Payments of any amount in respect of the Certificate represented by the Global Certificate will, in the absence of any provision to the contrary, be made to, or to the order of, the person shown on the Register as the registered holder of the Global Certificate at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the due date for payment (where **Clearing System Business Day** means Monday to Friday inclusive except 25 December and 1 January). Upon payment of any amount in respect of the Certificates represented by the Global Certificate, the details of such payment shall be entered by the Registrar in the Register.

None of the Trustee, the Delegate, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payments of the Dissolution Distribution Amount in respect of Certificates represented by the Global Certificate will be made upon presentation and surrender of the Global Certificate at the specified office of the Registrar or such other office as may be specified by the Registrar subject to and in accordance with the Conditions and the Declaration of Trust. Distributions of amounts with respect to book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of participants in the relevant clearing system in accordance with the relevant clearing system's rules and procedures. A record of each payment made in respect of the Certificates will be entered into the Register by or on behalf of the Registrar and shall be *prima facie* evidence that payment has been made.

## **Notices**

For so long as all of the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices may be given by delivery of the relevant notice to those clearing systems for communication to entitled Accountholders in substitution for notification as required by the Conditions except that, so long as the Certificates are listed on any stock exchange, notices shall also be published in accordance with the rules of such stock exchange. Any such notice shall be deemed to have been given to the Certificateholders on the day on which such notice is delivered to the relevant clearing systems.

Whilst any of the Certificates held by a Certificateholder are represented by the Global Certificate, notices to be given by such Certificateholder may be given (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Principal Paying Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

## **Registration of Title**

The Registrar will not register title to the Certificates in a name other than that of a nominee for the Common Depositary for a period of seven calendar days preceding the due date for any payment of any Periodic Distribution Amount or the Dissolution Distribution Amount in respect of the Certificates.

Record dates will be determined in accordance with the standard practices of Euroclear and Clearstream, Luxembourg.

## **Transfers**

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear or Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

## **Exchange for Definitive Certificates**

Interests in the Global Certificate will be exchangeable (free of charge to the holder), in whole but not in part, for Definitive Certificates only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 17 if an Exchange Event occurs. For these purposes, **Exchange Event** means that: (i) a DIB Event (as defined in the Conditions) has occurred and a Dissolution Notice has been delivered pursuant to Condition 12.1; or (ii) Certificates represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, and any such clearing system has been closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no successor or alternative clearing system satisfactory to the Delegate is available. If an Exchange Event occurs, any of the Trustee, the Delegate or Euroclear and/or Clearstream, Luxembourg

(acting on the instructions of any holder of an interest in the Global Certificate) may give notice to the Registrar requesting exchange.

In such circumstances, the Global Certificate shall be exchanged in full for Definitive Certificates and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrar for completion and dispatch to the Certificateholders. Any exchange shall occur no later than ten days after the date of receipt of the first relevant notice by the Registrar. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions (and such other information as the Trustee and the Registrar may require) to complete, execute and deliver such Definitive Certificates.

In this Prospectus, **Definitive Certificate** means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Declaration of Trust in exchange for the Global Certificate, such trust certificate substantially in the form set out in the Schedules to the Declaration of Trust.

### **Electronic Consent and Written Resolution**

While any Global Certificate is registered in the name of any nominee for Euroclear or Clearstream, Luxembourg, then:

- (a) approval of a resolution proposed by the Trustee, DIB or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates then outstanding (an **Electronic Consent** as defined in the Declaration of Trust) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the special quorum (as specified in the Declaration of Trust) was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held, and shall be binding on all Certificateholders whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Declaration of Trust) has been validly passed, the Trustee, DIB and the Delegate shall be entitled to rely on consent or instructions given in writing directly to the Trustee, DIB and/or the Delegate, as the case may be, by Accountholders in the clearing system with entitlements to such Global Certificate or, where the Accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Trustee, DIB and/or the Delegate, as the case may be, have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting or implementation of such consent or instructions. Any resolution passed in such manner shall be binding on all Certificateholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, **commercially reasonable evidence** includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Certificates. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular

principal or nominal amount of the Certificates is clearly identified together with the amount of such holding. None of the Trustee, DIB and/or the Delegate shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

## **USE OF PROCEEDS**

The net proceeds of the Certificates will be contributed by the Trustee (as Rab-al-Maal) to DIB (as Mudareb) as Mudaraba Capital pursuant to the terms of the Mudaraba Agreement and will be used by DIB to enhance its tier 1 capital as well as for general corporate purposes, all in accordance with the investment plan set out in the Mudaraba Agreement.

## DESCRIPTION OF THE TRUSTEE

### General

DIB Tier 1 Sukuk (5) Ltd., a Cayman Islands exempted company with limited liability, was incorporated on 10 March 2021 under the Companies Law (As Revised) of the Cayman Islands with company registration number 372738. The Trustee has been established as a special purpose vehicle for the sole purpose of issuing the Certificates and entering into the transactions contemplated by the Transaction Documents. The registered office of the Trustee is at MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands and its telephone number is +1 345 945 7099.

The authorised share capital of the Trustee is U.S.\$50,000 divided into 50,000 ordinary shares of U.S.\$1.00 par value each, 250 of which have been issued. All of the issued shares (the **Shares**) are fully-paid and are held by MaplesFS Limited as share trustee (the **Share Trustee**) under the terms of a share declaration of trust dated 6 April 2021 (the **Share Declaration of Trust**) under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose or otherwise deal with the Shares in accordance with the Share Declaration of Trust. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has the power to benefit Qualified Charities (as defined in the Share Trust Deed). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from its holding of, the Shares.

### Business of the Trustee

The Trustee has no prior operating history or prior business other than in connection with the Certificates to be issued and will not have any substantial liabilities other than in connection with the Certificates. The Certificates are the obligations of the Trustee alone and not the Share Trustee.

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 10 March 2021.

### Financial Statements

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

### Directors of the Trustee

The directors of the Trustee are as follows:

<b>Name:</b>	<b>Principal Occupation:</b>
Olena Mykhailenko .....	Vice President at Maples Fund Services (Middle East) Limited
Linval Stewart .....	Vice President at MaplesFS Limited

The business address of Olena Mykhailenko is Maples Fund Services (Middle East) Limited, Level 14, Burj Daman, Dubai International Financial Centre, PO Box 506734, Dubai, United Arab Emirates. The business address of Linval Stewart is MaplesFS Limited, PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

There are no potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to the Trustee.

## **The Trustee Administrator**

MaplesFS Limited acts as the administrator of the Trustee (in such capacity, the **Trustee Administrator**). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of the Corporate Services Agreement, the Trustee Administrator has agreed to perform in the Cayman Islands or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Trustee Administrator will also provide registered office services to the Trustee in accordance with its standard terms and conditions for the provision of registered office services as published at <http://www.maplesfiduciaryservices.com/terms> (the **Registered Office Terms**). In consideration of the foregoing, the Trustee Administrator receives various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement and the Registered Office Terms provide that either the Trustee or the Trustee Administrator may terminate such appointments upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Terms provide that either party shall be entitled to terminate such agreements by giving at least three months' notice in writing to the other party with a copy to any applicable rating agency.

The Trustee Administrator is subject to the overview of the Trustee's Board of Directors.

The Trustee Administrator's principal office is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman KY1-1102, Cayman Islands.

The directors of the Trustee are all employees or officers of the Trustee Administrator (or an affiliate thereof). The Trustee has no employees and is not expected to have any employees in the future.



## SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and the other information contained in this Prospectus. The Financial Statements have been prepared in accordance with IFRS.

The following table sets forth selected consolidated financial information and business ratios for the Group as at and for each of 2020, 2019 and 2018. The statement of profit or loss data and statement of financial position data have been extracted from the Financial Statements or the Group's management accounts and have been presented in separate tables in AED and, for convenience only, in U.S. dollars.

<b>Statement of profit or loss highlights</b>	<b>For the year ended 31 December</b>		
	<b>2020</b>	<b>2019</b> <i>(AED millions)</i>	<b>2018</b>
Income from Islamic financing and investing transactions.....	10,370	10,723	9,481
Total income.....	13,142	13,684	11,730
Impairment charges, net .....	4,552	1,764	833
Depositors' and sukuk holders' share of profit .....	3,672	4,418	3,528
Profit for the year before income tax expense .....	3,206	5,145	5,046
Net profit for the year.....	3,160	5,103	5,004
Net profit attributable to owners of the Bank .....	3,294	5,014	4,916

<b>Statement of financial position highlights</b>	<b>As at 31 December</b>		
	<b>2020</b>	<b>2019</b> <i>(AED millions)</i>	<b>2018</b>
Total assets .....	289,556	231,796	223,682
Total liabilities.....	246,426	197,064	189,555
Total equity.....	43,130	34,732	34,127
Gross financing and investing assets and investments in bilateral sukuk <sup>(1)</sup> .....	210,892	160,213	153,685
Impaired financing and investing assets .....	12,061	6,225	5,030
Non-performing investing and financing assets.....	12,061	6,310	5,251
Collateral held relating to facilities individually determined to be impaired <sup>(2)</sup> .....	7,294	4,358	3,200
Provisions for impairment <sup>(3)</sup> .....	8,401	6,081	5,727
Customers' deposits.....	205,925	164,418	155,657

<b>Statement of profit or loss highlights</b>	<b>For the year ended 31 December</b>		
	<b>2020</b>	<b>2019</b> <i>(U.S.\$ millions)</i>	<b>2018</b>
Income from Islamic financing and investing transactions.....	2,824	2,920	2,582
Total income.....	3,578	3,726	3,194
Impairment charges, net .....	1,239	480	227
Depositors' and sukuk holders' share of profit .....	1,000	1,203	961
Profit for the year before income tax expense .....	873	1,401	1,374
Net profit for the year.....	860	1,389	1,363
Net profit attributable to owners of the Bank .....	897	1,365	1,339

<b>Statement of financial position highlights</b>	<b>As at 31 December</b>		
	<b>2020</b>	<b>2019</b> <i>(U.S.\$ millions)</i>	<b>2018</b>
Total assets .....	78,844	63,117	60,907
Total liabilities.....	67,100	53,659	51,615
Total equity.....	11,744	9,457	9,293
Gross financing and investing assets and investments in bilateral sukuk <sup>(1)</sup> .....	57,425	43,625	41,848
Impaired financing and investing assets.....	3,284	1,695	1,370

Statement of financial position highlights	As at 31 December		
	2020	2019 (U.S.\$ millions)	2018
Non-performing investing and financing assets.....	3,284	1,718	1,430
Collateral held relating to facilities individually determined to be impaired <sup>(2)</sup> .....	1,986	1,187	871
Provisions for impairment <sup>(3)</sup> .....	2,288	1,656	1,559
Customers' deposits.....	56,072	44,770	42,384

Key business ratios	As at and for the year ended 31 December		
	2020	2019 (%)	2018
Impaired ratio <sup>(6)</sup> .....	5.7	3.9	3.3
Non-performing asset ratio <sup>(6)</sup> .....	5.7	3.9	3.4
Provision coverage ratio <sup>(4)</sup> .....	76	101	112
Overall coverage ratio <sup>(5)</sup> .....	104	135	150
Total capital adequacy ratio <sup>(7)</sup> .....	18.5	16.5	17.5
Common Equity Tier 1 ratio.....	12.0	12.0	12.4
Return on equity <sup>(8)</sup> .....	10.4	17.0	18.1
Return on assets <sup>(9)</sup> .....	1.22	2.25	2.32
Net profit margin <sup>(10)</sup> .....	2.61	3.15	3.14
Financing/customer deposits <sup>(11)</sup> .....	96	92	93
Cost to income ratio <sup>(12)</sup> .....	29.4	26.9	28.3

Notes:

- (1) Includes total Islamic financing and investing assets amounting to AED 205,090 million (31 December 2020), AED 156,994 million (31 December 2019) and AED 150,466 million (31 December 2018) and investments in bilateral sukuk amounting to AED 5,802 million (31 December 2020), AED 3,219 million (31 December 2019) and AED 3,219 million (31 December 2018). See note 9.1 to the 2020 Financial Statements and note 9.1 to the 2019 Financial Statements.
- (2) See note 9.4 to each of the Financial Statements.
- (3) See note 9.1 to each of the Financial Statements.
- (4) Being the ratio of provision for impairment to non-performing investing and financing assets.
- (5) Being the ratio of the aggregate of provision for impairment and discounted value of collateral to non-performing investing and financing assets.
- (6) Impaired ratio is the ratio of impaired financing and investing assets (including POCI assets) to the aggregate of total financing and investing assets and investments in bilateral sukuk. The non-performing assets ratio is the ratio of sum of impaired assets, POCI assets and exposure which is past due beyond 90 days but not impaired to the aggregate of total financing and investing assets and investments in bilateral sukuk.
- (7) Calculated according to Central Bank methodology.
- (8) Being the ratio of net profit attributable to owners of the Bank to average equity, adjusted for estimated distribution (with average equity for each of 2020, 2019 and 2018 calculated as the sum of equity as at 31 December at the start of the relevant year plus equity as at 31 March, 20 June, 30 September and 31 December in the relevant year divided by five) and estimated distribution amounting to AED 1,445 million as at 31 December 2020, AED 2,529 million as at 31 December 2019 and AED 2,301 million as at 31 December 2018.
- (9) Being the ratio of net profit for the year to average total assets (with average total assets for each of 2020, 2019 and 2018 calculated as the sum of total assets as at 31 December at the start of the relevant year plus equity as at 31 March, 20 June, 30 September and 31 December in the relevant year divided by five).
- (10) Being the ratio of net funded income (income from Islamic financing and investing transactions less depositors and sukuk holders' share of profit) to average earning assets (aggregate of Islamic financing and investing assets, investment in Islamic sukuk measured at amortised cost, due from banks and financial institutions and international murabaha with Central Bank (as identified in note 7.1 to each of the Financial Statements)).
- (11) Being the ratio of net Islamic financing and investing assets to customers' deposits.
- (12) Being the ratio of total operating expenses to net income.

## DESCRIPTION OF THE GROUP

### OVERVIEW

DIB is the world's first full service Islamic bank and is one of the largest Islamic banks in the world, in terms of assets. As at 31 December 2020, the Group's total assets were AED 289,556 million (U.S.\$78,844 million). DIB was established in the Emirate of Dubai on 12 March 1975, with the objective of providing banking and other financial services tailored to adhere to the principles of Islamic Sharia.

The core business areas of the Group are Consumer Banking, Corporate Banking, Real Estate & Contracting Finance, Investment Banking and Treasury. The Group offers a wide range of Sharia-compliant retail and wholesale banking, treasury, investment banking and capital markets products and services to more than 3 million retail, corporate and institutional clients through a network of 65 branches across the UAE and more than 400 branches internationally across six countries outside the UAE. In addition to its main office and branches in Dubai, the Group operates across all the other Emirates of the UAE, namely Abu Dhabi, Ajman, Fujairah, Ras Al Khaimah, Sharjah and Umm Al Quwain. Outside the UAE, the Group has operations through subsidiaries in Pakistan and Kenya, and associates in Indonesia, Sudan and Bosnia. The Group also has a representative office in Turkey.

The head office of DIB is located on Al Maktoum Street, Deira, P.O. Box 1080, Dubai, UAE and its telephone number is +971 4 295 3000. DIB is regulated by the Central Bank. DIB's licence number, as set out in its commercial license and commercial registration certificate, is 208098.

The Group has received numerous awards in recent years in recognition of its leading position within the markets in which it operates, including:

- "Overall Best Islamic Bank", "UAE Deal of the Year", "Sovereign Deal of the Year", "Overall Deal of the Year", "Best Islamic Bank in Kenya" and "Social Impact Deal of the Year", by Islamic Finance News in 2020.
- DIB ranked 16th amongst Top 100 Companies in the Middle East 2020 by Forbes Middle East 2020.
- "Best Sukuk Dealer" by The Collaborative Market Data (CMD) Portal Awards 2020.

### HISTORY

DIB was incorporated in 1975, in Dubai, by a decree issued by the then Ruler of Dubai, H.H. Sheikh Rashid bin Saeed Al Maktoum. In March 2000, DIB was registered as a public joint stock company under the Commercial Companies Law No. 8 of 1984 (which was replaced with UAE Federal Law No. 2 of 2015 regarding the Law of Commercial Companies, with effect from 1 July 2015).

In 1998, following the discovery of a significant fraud, the Government of Dubai enhanced its shareholding to become DIB's largest shareholder (increasing its stake from 6 per cent. to 30 per cent.). DIB subsequently recruited a number of professional managers from international and large local financial institutions to improve its management and processes. As at 23 March 2021, the Government of Dubai's direct and indirect stake in DIB was 27.96 per cent.

In 2001, the Group acquired a 27.3 per cent. stake in Bosna Bank, the first Sharia-compliant bank in Europe, which was established in 2000.

As part of its then current strategy to expand in select niche Islamic markets in the Middle East, Africa and Asia, the Group acquired a 60 per cent. stake in the Bank of Khartoum (**BoK**) in 2005, one of the largest banks in Sudan (measured by the number of branches and ATMs), which stake was subsequently reduced to 52.3 per cent. in 2006 and further reduced to 28.4 per cent. in 2008. As at 30 September 2020, the Group's stake in BoK stood at 29.5 per cent.

Following approval obtained in January 2005 from the Banking Regulation & Supervision Agency in Turkey, the Group established a representative office in Turkey in April 2005 to assist in marketing and promoting the Group's business in Turkey. Since its establishment, the representative office has been referring new customers and transactions to various business groups within the Group.

In 2006, the Group established DIB Pakistan Ltd (**DIB Pakistan**), a 100 per cent. owned subsidiary, to offer Islamic banking services in Pakistan.

In addition to the above, the Group has incorporated several subsidiaries in real estate development (including, Deyaar Development P.J.S.C. (**Deyaar Development**) in 2002 in which it had a 44.9 per cent. shareholding as at 31 December 2020 and which is a fully consolidated subsidiary) and other related financial services companies and Dar Al Sharia Islamic Finance Consultancy LLC (**Dar Al Sharia**) in 2007.

In November 2010, the Group increased its stake in Tamweel to 58.3 per cent. to acquire a controlling interest in the company. In 2013 and 2015, the Group increased its shareholding to 86.5 per cent. and 92.0 per cent., respectively, through tender offers made to minority shareholders. The Group's shareholding in Tamweel stood at 92.0 per cent. as at 31 December 2020.

In May 2014, the Group acquired a 24.9 per cent. stake in PT Bank Panin Dubai Syariah Tbk (**Bank Panin Syariah**) of Indonesia. In 2015, the Group increased its shareholding to 38.3 per cent. in Bank Panin Syariah and, as at 31 December 2020, its shareholding was 25.1 per cent.

In April 2017, the Group obtained a banking licence from the Central Bank of Kenya to operate its wholly-owned subsidiary, DIB Bank Kenya Ltd. (**DIB Bank of Kenya**), which commenced commercial operations on 5 June 2017.

In January 2020, the Group completed the acquisition of 99.999 per cent. of Noor Bank through a share swap which led to DIB issuing 651,159,198 new shares to increase its issued share capital from 6,589,585,179 shares to 7,240,744,377 shares. All relevant approvals from all competent regulatory authorities have been obtained and the operations of Noor Bank have been fully integrated with those of the Group. During September 2020, the remaining minority percentage shareholding in Noor Bank was acquired it became a wholly-owned subsidiary of DIB.

## STRATEGY

DIB's primary objective is to maintain its position as the leading Islamic financial institution in the Middle East region as well as in other selected strategic markets. DIB defines its strategic objectives within a two - three year rolling period, which allows it to refine its long-term strategy and develop short-term specific strategic and business goals.

During the early 2000s, the Group had expanded its strategy from being primarily a retail bank into providing Sharia-compliant solutions to major corporates as well. This was also a period in which the Group saw a qualitative jump in the services being offered as a result of upgrading its computer systems and the introduction of internet services. The mid-2000s saw DIB venturing into new international markets such as Pakistan and Sudan and launching the Sharia consultancy firm (Dar Al Sharia) and the DIB Foundation. When the global crisis began, DIB decided to focus on growth within the retail sector and began to run-off its corporate real estate finance portfolio in order to protect itself from the downturn in the UAE real estate sector. During this decade, DIB saw its total assets increase from AED 11.7 billion (U.S.\$3.2 billion) in 2000 to AED 90.1 billion (U.S.\$24.5 billion) by the end of 2010.

Following a consolidation exercise between 2009 and 2013 and the appointment of a new Group chief executive officer (**CEO**) in mid-2013, who had previously served as Deputy CEO, the Group embarked on a new "growth" strategy from 2014 to 2018, which aimed at redefining the way the Group operated its business, positioning it as a global leader in the world of Islamic finance.

Subsequent to the successful acquisition of Noor Bank and the significant global events that unfolded in 2020, DIB redefined its position and purpose at the start of 2021 to adapt to the changing environment.

#ReadyForTheNew was launched to equip DIB's customers for a new era of banking and experience. ICARE forms the foundation of DIB's core values, which emphasise simplicity and convenience whilst prioritising customers and clients. The Group continues to focus on playing a part in promoting the Islamic finance sector as well as the growth agenda of Dubai and the UAE.

The Group's current strategic plan includes the following initiatives and goals:

- "PING", which translates into "Protect, Innovate, Nurture leading to Growth". PING aims to strengthen customer experience and relationships driven by continued enhancements of customer digital journeys and operational efficiencies. It also aims to strongly safeguard customer data and privacy against potential increased cyber market vulnerabilities as people, customers and businesses shift towards operating more in the digital environment.
- With increased global and business risk, DIB continues to exercise prudence in the growth of its balance sheet and has shifted its strategy towards targeting low risk sectors and ensuring that the business continues to achieve more sustainable profit growth in the years to come. Protecting the quality of its assets aligns to this strategic shift and remains a top priority and in addition to ensuring that DIB's capital and liquidity remains healthy.
- Further, the Group intends to expand its geographic footprint through acquisitions, establishing subsidiaries and branches, pursuing strategic partnerships and/or co-operation agreements with local partners in Asia, Africa and the Gulf.

The Group's strategy is continually monitored and reviewed by its management and is formally approved by the Board. The Balance Scorecard (**BSC**) approach is used to integrate the strategic plans into individual and departmental goals, and helps the Group manage and monitor its performance.

The BSC enables the Group to identify goals, manage and measure performance, and report on achievements with respect to the priorities of each key stakeholder group. The Group implements quantitative measures wherever feasible, but tracks both qualitative and quantitative indicators of performance in terms of both financial and non-financial outcomes. The BSC framework forms an integral part of the Group's performance management system.

## **COMPETITION AND COMPETITIVE ADVANTAGES**

The Group faces competition from both Islamic and conventional banks operating in the UAE. Within its investment banking and capital market activities, DIB also competes with major international banks and investment firms for transaction mandates.

DIB believes that the Group enjoys a number of key competitive advantages, including the following:

### **Strong and trusted brand**

DIB believes that the Group has a strong and trusted brand. Management believes that the Group's market position and strong brand recognition reflect the Group's focus on high-quality customer service (see below), its established track record in both consumer and wholesale banking, its targeted marketing to consumers and its involvement in a number of the UAE's most prominent infrastructure and other development projects. In 2016, DIB revealed its new identity built around its vision as a progressive and innovative player and the modern face of Islamic banking and finance.

### **Established track record and knowhow**

As the first Islamic bank in the UAE, the Group has a proven track record in developing and offering Islamic finance products to meet the increasingly sophisticated needs of its customers.

### **Innovative and extensive product range**

The Group endeavours to provide its customers with a wide range of innovative products, which allows it to meet their diversified and sophisticated needs. DIB believes that the Group is able to offer its customer base all of the banking products that they may require and, accordingly, that there is little need for them to approach the Group's competitors for alternative products.

### **Sharia-compliance credibility**

DIB maintains a highly reputed Fatwa and Sharia Supervisory Board (the **Sharia Board**). DIB aims for high levels of Sharia compliance by offering all its products and services in strict conformity with the parameters approved by the Sharia Board. This helps to ensure that DIB's reputation as a premier Islamic bank is maintained at all times.

### **Stable funding base**

The Group has a diversified deposit base that includes retail and corporate customers, government bodies and public sector agencies which, taken together, are regarded by the Group as a relatively stable and a low cost source of funding.

### **Strong financial performance**

The Group has consistently benefitted from strong financial performance and robust financial metrics (see "*Selected Financial Information*" for further information).

### **Quality of service and speed of response time**

DIB believes that the high quality of customer service which the Group provides distinguishes the Group from its principal competitors. Employees are trained regularly in managing clients, new products and market developments so as to provide a better service to clients and to enable new products and services to be introduced to the market. Furthermore, the Group continues to make further enhancements to its systems and platforms in order to provide clients with a more seamless experience.

### **Experienced and committed management**

The majority of DIB's senior management team have been with DIB for several years and, prior to joining DIB have had many years of regional and global experience with other leading international banks. The team has considerable experience in the Islamic finance industry and knowledge of the requirements relating to the operation of Islamic finance institutions, see "*Management and Employees*" below.

### **Strength in staff training**

The Group provides regular and comprehensive training to staff at all levels to enable them to improve their skills. This is done through a dedicated training division within the Group. The Group regularly sends its staff on courses, conferences and workshops on Islamic banking products to ensure that they are well informed about international and regional developments.

### **Systematic approach to developing strategy**

The Group adopts a systematic approach in developing its strategy through comprehensive analyses of the domestic and international macroeconomic and business environments and aligning its strategy with any major trends identified. This formalised approach is then used to link the overall strategic plan and agenda to the BSC performance management system (which is the primary tool used to measure individual and departmental performance) and thus to ensure that the Group meets its short-, medium- and long-term strategic objectives.

## **Links with the Government of Dubai**

DIB has a good relationship with the Government of Dubai which enables it to be at the forefront of the ongoing financing of the development of Dubai.

## **Links with the community**

DIB has always maintained strong links with the local community and intends to continue to promote the development of society in the UAE. It sees this as an important feature in enhancing its position as a premier Islamic bank. For example, it has been active in promoting "Emiratisation", the process of employing and nurturing UAE nationals with a view to encouraging them to participate in and improve the economy of the UAE.

## **SHAREHOLDERS AND CAPITAL STRUCTURE**

### **Shareholders**

As at 23 March 2021, the Government of Dubai held directly and indirectly 27.96 per cent. of the share capital of DIB and Saeed Ahmed Lootah held 6.5 per cent. DIB is not aware of any other significant holdings in its shares. DIB's articles of association provide that no single shareholder other than the Government of Dubai is entitled to own more than 10 per cent. of the share capital of DIB.

The Government of Dubai's shareholding is held through Investment Corporation of Dubai (**ICD**). The Chairman of DIB is a representative of ICD and the other members of the Board are independent of ICD. Decisions are made by voting whereby each board member, including the Chairman, has an equal vote. Some of the key corporate governance functions have been delegated to board committees such as the Board Credit & Investment Committee, Board Audit Committee, Board Risk Management Committee and Board Remuneration Committee. The Chairman is not represented in any of these committees and each of these committees acts independently.

### **Capital structure**

On 21 February 2018, the shareholders at DIB's annual general meeting approved an increase in the paid-up capital of DIB, up to a maximum amount of AED 1,647,396,295 through a rights issue of up to 1,647,396,295 shares of AED 1 each at a premium of AED 2.11 per share. In June 2018, DIB completed the process of allocation of these shares and the shares were subsequently listed on the Dubai Financial Market (the **DFM**) after obtaining all required regulatory approvals on 14 June 2018. As a result of this issuance, DIB's paid-up share capital increased from AED 4.9 billion to AED 6.6 billion. During 2020, DIB issued 651,159,198 new shares in consideration for the acquisition of Noor Bank, bringing its paid up share capital to AED 7.2 billion (U.S.\$2.0 billion) as at 31 December 2020. DIB's shares have been listed on the DFM since March 2000.

Pursuant to DIB's articles of association, the maximum foreign ownership level in DIB has been increased from 25 per cent. to 40 per cent. The implementation of this increase is yet to be executed in the DFM.

See "*Capital Adequacy*" below for a description of the Group's capital adequacy ratios as at 31 December 2020, 31 December 2019 and 31 December 2018.

## **BUSINESS ACTIVITIES**

### **Business and reporting segments**

The principal activities of the Group are focused around five core business areas: (i) Consumer Banking; (ii) Corporate Banking; (iii) Real Estate & Contracting Finance; (iv) Investment Banking; and (v) Treasury.

For accounting purposes, the Group divides its business into the following primary reporting segments: (a) consumer banking (which reflects the consumer banking and home finance business lines); (b) corporate

banking (which reflects the corporate banking, institutional and contracting finance business lines); (c) real estate development (which reflects real estate investment by subsidiaries such as Deyaar Development); (d) treasury (which reflects the treasury-related business line); and (e) others (comprising the Group's investments (which includes subsidiaries not specifically allocated to other segments), certain investment banking activities and unallocated internal assets and liabilities of the Group which are not related to those of its external customers).

The table below shows a breakdown of certain statement of profit or loss information for each of the Group's reporting segments for each of the years ended 31 December 2020, 31 December 2019 and 31 December 2018. In 2020, the Group changed the presentation of its segmental reporting and the figures for each of 2019 and 2018 have been amended to reflect that change as well as, in 2018, to reflect certain changes in segmentation practice made in 2019.

	<b>Consumer banking</b>	<b>Corporate banking</b>	<b>Treasury</b> (AED millions)	<b>Real estate development</b>	<b>Others</b>
<b>2020</b>					
Net operating revenue .....	3,910	3,202	1,557	194	608
Operating expenses .....	(1,292)	(585)	(131)	(187)	(532)
<b>Net operating income .....</b>	<b>2,618</b>	<b>2,617</b>	<b>1,426</b>	<b>7</b>	<b>76</b>
<b>2019</b>					
Net operating revenue .....	3,490	3,428	969	253	1,128
Operating expenses .....	(1,116)	(472)	(97)	(165)	(508)
<b>Net operating income .....</b>	<b>2,374</b>	<b>2,955</b>	<b>872</b>	<b>88</b>	<b>620</b>
<b>2018</b>					
Net operating revenue .....	3,230	3,206	661	262	843
Operating expenses .....	(1,128)	(490)	(76)	(157)	(470)
<b>Net operating income .....</b>	<b>2,102</b>	<b>2,716</b>	<b>584</b>	<b>105</b>	<b>373</b>

The table below shows a breakdown of certain statement of financial position information for each of the Group's reporting segments as at 31 December 2020, 31 December 2019 and 31 December 2018. In 2019, the Group made certain changes in segmentation practice and the figures for 2018 have been amended to reflect that change.

	<b>Consumer banking</b>	<b>Corporate banking</b>	<b>Treasury</b> (AED millions)	<b>Real estate development</b>	<b>Others</b>
<b>As at 31 December 2020</b>					
Segment assets .....	49,490	145,728	39,408	5,478	49,453
Segment liabilities .....	90,953	115,430	3,044	1,072	35,928
<b>As at 31 December 2019</b>					
Segment assets .....	38,765	112,502	35,967	6,010	38,552
Segment liabilities .....	72,974	93,864	1,120	1,215	27,890
<b>As at 31 December 2018</b>					
Segment assets .....	36,577	107,308	33,637	5,836	40,324
Segment liabilities .....	68,867	89,828	828	1,307	28,726

## Consumer Banking

Consumer Banking is the largest business segment within the Group in terms of net operating income as at 31 December 2020. The Group offers its retail and business banking services through a network of 65 branches spread across all of the Emirates, more than 600 automated teller machines (ATMs) and 150 cash deposit machines (CDMs) across the UAE (each as at the date of this Prospectus) as well as through online and phone banking services (including mobile banking).

The Group offers customers a broad range of retail products and services, including:



- ***Auto finance***

The Group's auto finance product finances vehicle purchasing for individuals and businesses in a Sharia-compliant manner. The Group has established itself as one of the leading providers of auto financing in the UAE.

- ***Sharia-compliant cards***

In pursuit of its strategy of growth through key strategic alliances, the Group has continued to expand its product offerings through the expansion of its Sharia-compliant cards product portfolio.

In July 2018, DIB launched co-branded credit cards with Emirates. This partnership allows customers to earn Skywards Miles from Emirates on their card usage and redeem the miles for services from Emirates, including, travel insurance, Emirates silver status and lounge access. In addition, DIB went live with Samsung Pay in October 2018 and with Apple Pay in September 2019 to enhance its mobile payments and digital wallet services.

- ***Personal finance***

The Group's personal finance product was launched in December 2005 to cater to the personal financing needs of individuals, and was originally provided in the form of *murabaha* and *ijara* products to cater to all personal financing needs of customers. In 2010, the Group launched *Al Islami Salam Finance*, which provides customers with an upfront cash payment. The product is based on a fixed price sale contract whereby the customer gets the full price as a cash payment upfront and delivers the relevant goods on a deferred basis.

- ***Retail home finance***

As the leading home finance provider for both residential and commercial properties in the UAE, DIB's Home Finance provides the most comprehensive, unique and transparent offering across all seven Emirates. Customers can avail home finance for both freehold and non-freehold properties and can finance either ready or under-construction properties as well as obtain financing to self-construct their properties by themselves or through tie-ups with Government housing schemes.

- ***SME Business Solutions***

In December 2012, the Group launched its "SME Business Solutions" suite of Sharia-compliant products and services specifically developed to support the growth of small- and medium-sized enterprises. The solutions offered are based on a combination of *Murabaha* and *Salam*-based structures.

- ***Investment funds***

The Group offers a range of Sharia-compliant investment products to suit its clients' investing needs across various asset classes, including cash, commodities, fixed income securities and equities. Along with structures developed in-house, the Group has also partnered with leading investment houses to provide a range of investment choices with varied currencies and maturities, exposures to different markets and capital protection options.

- ***IPO/capital markets subscription services***

The Group offers subscription services on selected IPOs. The Group provides this service to companies approved for investment in accordance with Sharia law.

- ***Wajaha private banking***

Wealth management services are provided through four exclusive *Wajaha* centres in Abu Dhabi, Al Ain, Dubai and Sharjah. These centres offer personal relationship managers, financial planning

services and tailor-made products, as well as offering a number of other benefits which are exclusive to the Group's *Wajaha* clients, including international concierge services, travel insurance, ticket exchange and travel desk and cash services.

- ***Ayaan exclusive banking***

*Ayaan* exclusive banking targets high net worth customers, catering to their specific investment and financial needs. There are 19 *Ayaan* centres located across the UAE.

- ***Additional retail segments***

Consumer Banking also has additional business segments (broadly based on customer deposits) named *Mumayyaz* (effectively the upper mass segment), the mass segment and the lower mass segment. Specific offerings have been developed to cater to these segments.

In addition to its 65 branches in the UAE, the Group also offers self-service electronic delivery channels such as online banking, phone banking, mobile application and e-branches:

- ***Online and phone banking***

The Group offers online and mobile telephone banking facilities, giving customers greater flexibility to deal with their accounts through a range of account enquiry and payment services. In 2015, the DIB mobile app was launched with over 90 services in dual language. The app is integrated with advanced customer-centric technologies. In 2018, both the online and phone banking offerings were significantly upgraded to provide customers with additional services and greater ease of use.

- ***e-branches***

In the Group's virtual branches, customers can utilise banking services such as ATMs, CDMs and instant cheque deposits, and an "internet kiosk" for secure online banking and phone banking which connects them to customer service agents. In addition, customers can make requests for manager cheques, demand drafts, SWIFT transfers, the issue of new cheque books, the re-issue of ATM cards, e-statement registrations, SMS banking registrations and applications for pre-designated fund transfers. The Group's e-branches also offer instant approvals for auto finance, personal finance and credit cards.

## **Corporate Banking**

Corporate Banking is the second largest business segment within the Group in terms of net operating income as at 31 December 2020. The Group offers a range of Sharia-compliant solutions to its corporate clients in the UAE, the GCC and in other niche markets. Corporate Banking comprises the following teams (which are organised on both a geographical and product-specific basis):

- private sector (Dubai, Jebel Ali and Northern Emirates), which supports the Group's corporate clients based in and around Dubai and the Northern Emirates;
- public sector (Dubai region and Northern Emirates), which supports the Group's public sector clients based in and around Dubai and the Northern Emirates;
- corporate banking unit (Abu Dhabi), which supports and manages business from clients based in Abu Dhabi as well as adjoining areas and cities in the southern and eastern region (including Al Ain); and
- transaction banking unit, which provides specialist product advice (through the Ahlan Banking Service) to cater for clients' daily banking needs and handles customer queries, auto faxing and electronic reporting. Internet banking solutions for cash management and trade finance are also available on the Al Islamic connect platform.

The Group believes that the strengths of Corporate Banking are:

- its in-depth specialisation within the UAE and GCC sectors;
- its deep understanding of its customers' businesses;
- the comprehensive and innovative range of services and strategic, solution-driven capabilities offered to its corporate clients (see below); and
- innovative financial solutions covering corporate finance, investment banking, capital markets and syndications products, project finance, trade and commodity finance, treasury and corporate banking, international banking services and securities.

The Group has designed and implemented a range of modern, Islamic financing instruments which are intended to meet the needs of its corporate clients. The products offered by Corporate Banking include goods financing and specific Islamic financing products such as *Ijara* financing, *Mudaraba* financing and *Wakala/Wakala Murabaha* financing to cater to its clients' trade, working capital and medium- to long-term financing requirements. The categories of products and services offered by Corporate Banking are:

- financial products and solutions, which include *Murabaha*, *Mudaraba* and *Musharaka* products tailored to the needs of the Group's wholesale banking customers;
- trade finance services, which provides an extensive range of trade-related services covering sectors such as manufacturing, services, construction, retail and transportation; and
- Transaction Banking Solutions, covering the cash management and trade products described below to address the needs of the Group's corporate customers across the working capital cycle. Value addition from these products is achieved through increased profitability, process efficiencies, risk mitigation and enhanced controls:
  - liquidity and investment management (including a separate institutional liabilities unit with dedicated relationship managers);
  - payments and collections (delivered through electronic and physical channels with a focus on customised solutions such as escrow and structured receivables management);
  - information services (customised integrated enterprise resource planning (ERP) solutions and an online platform, Al Islami Connect, to perform online account management, electronic payments and generate reports);
  - trade services (a full range of import and export services as well as structured solutions); and
  - the Ahlan Banking Service, a dedicated customer service unit to handle all day to day operating account transactions.

Corporate Banking manages various relationships (including middle market, contracting finance and real estate finance companies) and is instrumental in leveraging its client relationships to cross-sell other products offered by the Group, including investment banking and treasury services.

## **Real Estate & Contracting Finance**

### ***Real estate finance***

Historically, the Group has been one of the leading providers of real estate finance services in the UAE. The Group played a significant role in supporting corporate real estate developments, including the construction of commercial property and residential estates. The real estate finance group is managed by a specialist team with extensive experience in this field.

Standard Islamic financing products offered include *Istisna* financing, *Murabaha* acquisition finance, diminishing *Musharaka* and *Ijara* lease financing.

### ***Contracting finance***

The contracting finance group provides financing to contractors executing building, electrical and mechanical infrastructure works across a range of sectors (including the oil, gas, power and water sectors). The contracting finance group's customer base includes local, regional and international construction groups, and the contracting finance group has supported its customers in executing many prestigious projects within the UAE and regionally in the GCC and in many other Arab countries.

The product range offered by the contracting finance group includes Islamic financing products such as *Mudaraba*, *Murabaha*, *Ijara*, letters of guarantee and letters of credit (LCs). DIB believes that the Group's large underwriting capability and its close association with other local and international banks allows it to support the majority of its clients' projects.

### **Investment Banking**

Investment Banking is a leading regional and global player in the Islamic finance markets, assisting its clients, which include sovereigns, government-related entities, corporates and financial institutions, with every aspect of their funding requirements.

Investment Banking's dedicated professionals provide innovative Sharia-compliant capital raising and structured financing solutions in line with evolving customer requirements and market conditions. Its diversified product suite includes a wide range with particular focus on sukuk structuring and execution and syndicated and club financing transactions that are configured and documented in accordance with the principles of Sharia. Investment Banking also offers a comprehensive suite of structured finance services, such as mezzanine and structured equity, asset monetisation, leveraged recapitalisation and advisory.

Investment Banking has pioneered the Islamic debt capital markets and has been involved in the capacity of joint lead manager and bookrunner in most of the landmark international sukuk issuances, with DIB consistently ranking within the top five globally in the Bloomberg sukuk league tables. DIB has also been a leading significant player in the syndicated financing market, acting as mandated lead arranger and bookrunner to work closely with local and international banks.

### **Treasury**

Treasury forms an essential part of the Group's commitment to the Sharia-compliant investment banking industry. Treasury offers a comprehensive range of products backed by the Group's expert understanding of local and international markets. Treasury works closely with Corporate Banking and Consumer Banking and also engages in Islamic derivatives business. Its principal customers are the Group's corporate customers, financial institutions, high net worth individuals, SME companies and similar businesses. The products offered to these customers include: plain vanilla currency contracts, flexible delivery currency contracts, profit-enhanced products, multi-currency hedging instruments and other bespoke Sharia-compliant financial solutions.

Treasury is also responsible for building and maintaining relationships with the financial institutions sector across the globe in order to assist with smooth trade inflows and outflows. Relations range from authenticated communication links by way of SWIFT RMA to trade, treasury and account maintenance in different currencies. The Group's network of correspondent banks comprises leading financial institutions which provide trade services, which are intended to add value and service to the Group's branches and business units. The Group's correspondent banks offer one or more of the following services: remittance and payments, advisory and confirmations.

Treasury also manages the Group's liquidity requirements, sukuk investment portfolio and funding through the capital markets, and acts under the supervision of the Asset and Liability Management Committee

(ALCO). Asset and liability management is conducted by Treasury in accordance with Central Bank liquidity ratios. Treasury is also responsible for the implementation of risk management initiatives as directed by ALCO.

## **SUBSIDIARIES AND ASSOCIATES**

As at 31 December 2020, the Group had 20 consolidated material subsidiaries (and 17 special purpose vehicles) details of which are set out in note 17 to the 2020 Financial Statements. As at 31 December 2020, the Group also had nine significant associates and joint ventures. Of these, the Group considers the following to be its most important subsidiaries and associates in terms of revenue and future growth potential:

### **Tamweel P.S.C.**

Tamweel was established in Dubai in November 2000 and is the specialist mortgage financing institution for the Group. Tamweel's core business is the provision of Sharia-compliant home financing solutions to real estate buyers in the UAE. Tamweel is licensed by the Central Bank to operate as an Islamic finance company. As at 31 December 2020, the Group owned 92.0 per cent. of the share capital in Tamweel.

### **DIB Pakistan**

DIB Pakistan was incorporated as a wholly-owned subsidiary of the Group in 2006. It currently has 256 branches and express centres in 68 cities across Pakistan. DIB Pakistan's team comprises experienced professionals with previous experience at leading banks (situated within and outside Pakistan). DIB Pakistan offers a full range of Sharia-compliant banking products in consumer banking, corporate and investment banking and wealth management. DIB Pakistan had share capital of Pakistani Rupee (PR) 11,652 million (U.S.\$73 million) as at 31 December 2020. As at 31 December 2020, DIB Pakistan's net assets were PR 24,624 million (U.S.\$154 million) compared to PR 22,163 million (U.S.\$143 million) as at 31 December 2019. For the year ended 31 December 2020, DIB Pakistan's profit after taxation was PR 2,894 million (U.S.\$18 million) compared to its profit after taxation of PR 3,346 million (U.S.\$22 million) for the year ended 31 December 2019. For the purposes of this paragraph: (i) DIB Pakistan's financial information has been extracted from the audited financial statements of DIB Pakistan as at and for the year ended 31 December 2020 (which are available on its website at <https://www.dibpak.com/index.php/financials/>); and (ii) PR amounts have been converted into U.S. dollars based on the closing rates on dates stated.

### **Deyaar Development**

Deyaar Development was incorporated as a wholly-owned subsidiary of the Group in 2002 and engages in real estate development and property management business in the UAE. As at 31 December 2020, the Group owned 44.9 per cent. of the share capital in Deyaar Development (which is a fully consolidated subsidiary). As at 31 December 2020, Deyaar Development's total assets were AED 5,585 million (U.S.\$1,521 million) compared to AED 6,241 million (U.S.\$1,699 million) as at 31 December 2019. For the year ended 31 December 2020, Deyaar Development's net loss was AED 217 million (U.S.\$59 million) compared to a net profit of AED 72 million (U.S.\$20 million) for the year ended 31 December 2019. Deyaar Development's authorised and paid up capital was AED 5,778 million (U.S.\$1,573 million) as at 31 December 2020. For the purposes of this paragraph, Deyaar Development's financial information has been extracted from the audited consolidated financial statements of Deyaar Development as at and for the year ended 31 December 2020 (which are available on its website at <https://www.deyaar.ae/en/financial-results>).

### **Dar Al Sharia Islamic Finance Consultancy LLC**

Dar Al Sharia was incorporated as a subsidiary of the Group in 2007 and has expertise in all types of Sharia advisory, certification, product structuring, restructuring and documentation, conversion of conventional financial institutions as well as providing a full range of products for new Islamic financial institutions and specialising in the structuring and documentation of Sukuk, Islamic syndications and Islamic funds to the market in general (see "*Fatwa and Sharia Supervisory Board*" below). As at 31 December 2020, the Group owned 60 per cent. of the issued share capital of Dar Al Sharia.

## Bank Panin Syariah

The core principle behind the Group's growth strategy in key strategic international markets is to connect East Asia and South Asia with East Africa through Dubai. In accordance with this principle, known internally as 'PIK', which stands for 'Pakistan, Indonesia, Kenya', the Group has established hubs in Pakistan, Indonesia and Kenya and is looking to strengthen these hubs in the coming years and connect them to other regions and countries that fall within the PIK triangle.

As part of the PIK strategy, the Group acquired a 24.9 per cent. stake in Bank Panin Syariah in May 2014 which, as at 31 December 2020, was 25.1 per cent. The Group provides technical assistance to Bank Panin Syariah in a bid to increase Sharia banking in Indonesia through the introduction of new and innovative products and services. As at 31 December 2020, Bank Panin Syariah operates through a network of 12 branches and 24 Sharia bank services at conventional bank branches (with its head office located at Panin Life Center Building, Jakarta, Indonesia) that offer Islamic banking services in the country.

## DIB Bank Kenya

As part of the PIK strategy, the Group obtained an 'in principal' approval from the Central Bank of Kenya in December 2014 to establish a Sharia-compliant bank in Kenya, and accordingly, expand its business to cover East Africa. In April 2017, the Group obtained a banking licence from the Central Bank of Kenya to operate DIB Bank Kenya as a wholly-owned subsidiary and DIB Bank Kenya commenced commercial operations on 5 June 2017. DIB Bank Kenya offers an extensive range of Sharia-compliant products and services. With its head office in Nairobi, DIB Bank Kenya operates through a network of five branches in Kenya; three in Nairobi and two in Mombasa.

## ACQUISITION AND INTEGRATION OF NOOR BANK

Following all regulatory and shareholder approvals, the integration of Noor Bank commenced in early 2020 with the establishment of the Integration Management Office to drive the execution of the acquisition. A robust governance framework focused on minimal customer and market impact were the key principles of the integration project. An operational structure was established to constantly monitor the progress of key milestones and project timelines which was driven by various key work-streams leads. Key activities included systems and product gap analysis of the technological platforms for both institutions.

In line with regulatory requirements, a structured customer communication process was initiated during the early stages to convey information to Noor Bank customers, both retail and corporate, on the acquisition and next steps in relation to their banking relationship and on-boarding journey within the Group. This included dispatching of welcome letters with new DIB cards to Noor Bank debit and credit card customers as well as creating a dedicated webpage within DIB's website for Noor Bank customers.

The entire integration was achieved ahead of the targeted schedule as the majority of the teams involved worked remotely due to COVID-19 restrictions. As at the end of October 2020, Noor Bank was fully integrated within the Group and all banking relationships had been successfully migrated into DIB.

The table below shows the fair value of the major identifiable assets and liabilities of Noor Bank as at 8 January 2020, the date when DIB assumed control of Noor Bank.

<b>Assets</b>	<i>(AED millions)</i>
Islamic financing and investing assets.....	30,686
Cash and balances with Central Bank.....	5,772
Investments in Islamic sukuk and equity instruments .....	4,329
Due from banks and financial institutions .....	3,868
<b>Liabilities</b>	
Customers' deposits .....	35,288
Sukuk issued .....	3,760

In the year ended 31 December 2020, revenue of AED 1,418 million and net profit of AED 317 million was attributable to Noor Bank.

The acquisition of Noor Bank resulted in a bargain purchase gain of AED 1,015 million being recorded in the Group's consolidated statement of profit or loss for the year ended 31 December 2020.

## IMPACT OF COVID-19

DIB's strategic response to COVID-19 has focussed on protecting its franchise through preserving the Group's asset quality, concentrating on low-risk assets and sectors and maximising the integration synergies following its acquisition of Noor Bank. DIB has shifted its focus towards sovereign-backed transactions which would typically be quasi-government or government-related entities. This shift in strategy is to ensure that the risk profile is appropriately managed while protecting DIB's franchise.

In relation to its retail customers, DIB has, with effect from 15 March 2020 and based on eligibility, implemented special finance postponement schemes as well as waivers and benefits on various consumer products. It has also encouraged its retail customers to use contactless payments and the wide range of banking services available through DIB Online Banking and DIB's mobile app. DIB has also sought to keep its retail customers informed through regular updates through DIB's digital channels such as SMS, e-mails, social media and telephone banking.

In relation to its SME and corporate customers, DIB has with effect from 15 March 2020 and based on eligibility, offered deferment of finance with no additional charges for existing customers, introduced low profit rates, reduced processing fees and simplified documentation processes. It has also sought to facilitate clients in managing their operations through digital channels.

In addition, DIB has provided relief measures of nearly AED 8.8 billion across more than 54,000 customers as part of the Central Bank's TESS programme. See further, note 49 to the 2020 Financial Statements.

In relation to its staff who are not working remotely, DIB has implemented social distancing guidelines, encouraged flexible working hours, relocated staff and installed acrylic sheets on work stations where social distancing is a challenge, protected touchpoints through thorough sanitisation of offices, branches and ATM spots, deployed hand sanitisers in all locations and implemented temperature scanning at all DIB sites. DIB also seeks to keep its staff educated on precautionary actions through regular email and on-site posters.

In relation to its community, DIB announced the largest contribution, of AED 120 million, in the UAE to the Community Solidarity Fund Against Covid-19. This represents its commitment to supporting all national humanitarian initiatives. DIB has established a crisis management team to monitor the COVID-19 situation in the UAE and it continues to circulate inspiring and uplifting messages across various social media channels.

## ISLAMIC FINANCING AND INVESTING ASSETS

The table below shows a breakdown of the Group's gross Islamic financing and investing assets by product type as at 31 December in each of 2020, 2019 and 2018.

	As at 31 December					
	2020		2019		2018	
	(AED millions)	%	(AED millions)	%	(AED millions)	%
<b>Islamic financing assets</b>						
International murabaha (long term).....	49,226	25	27,174	18	23,926	17
Vehicles murabaha.....	8,739	4	8,800	6	9,193	6
Other murabaha .....	6,356	3	4,448	3	5,041	3
<b>Total murabaha .....</b>	<b>64,321</b>	<b>33</b>	<b>40,423</b>	<b>27</b>	<b>38,160</b>	<b>26</b>
Istisna'a.....	874	0	1,090	1	1,188	1
Ijara .....	59,620	30	52,259	35	52,905	37

	As at 31 December					
	2020		2019		2018	
	(AED millions)	%	(AED millions)	%	(AED millions)	%
Home finance – Ijara.....	20,770	11	14,358	10	13,274	9
Islamic credit cards.....	1,954	1	1,492	1	1,202	1
Personal finance.....	20,694	11	18,795	12	17,780	12
	<b>168,232</b>	<b>86</b>	<b>128,416</b>	<b>85</b>	<b>124,509</b>	<b>86</b>
Less: deferred income .....	(3,708)	(2)	(3,727)	(2)	(3,678)	(3)
Less: contractors and consultants' istisna contracts .....	(7)	(0)	(7)	(0)	(8)	(0)
<b>Total Islamic financing assets .....</b>	<b>164,518</b>	<b>84</b>	<b>124,683</b>	<b>83</b>	<b>120,823</b>	<b>83</b>
<b>Islamic investing assets</b>						
Musharaka .....	6,711	3	7,115	5	7,806	5
Mudaraba.....	9,765	5	11,134	7	11,713	8
Wakala .....	24,096	12	14,062	9	10,124	7
<b>Total Islamic investing assets.....</b>	<b>40,572</b>	<b>21</b>	<b>32,311</b>	<b>21</b>	<b>29,643</b>	<b>20</b>
<b>Total Islamic financing and investment assets</b> .....	<b>205,090</b>	<b>104</b>	<b>156,994</b>	<b>104</b>	<b>150,466</b>	<b>104</b>
Less: provisions for impairment .....	(8,401)	(4)	(6,081)	(4)	(5,727)	(4)
<b>Total Islamic financing and investment assets, net.....</b>	<b>196,689</b>	<b>100</b>	<b>150,913</b>	<b>100</b>	<b>144,739</b>	<b>100</b>

The Group's total portfolio of Islamic financing and investing assets (net of provisions) was AED 196,689 million (U.S.\$53,557 million) as at 31 December 2020, an increase of 30 per cent. from AED 150,913 million (U.S.\$41,093 million) as at 31 December 2019 (and AED 144,739 million (U.S.\$39,412 million) as at 31 December 2018) which principally reflected the acquisition of Noor Bank in January 2020 and organic growth. The distribution of the Group's total portfolio of Islamic financing assets across economic sectors is oriented towards consumer financing (including consumer home financing), services, real estate, aviation, government, trade, financial institutions and contracting, which is in line with the domestic economy.

A description of the concentrations in the Group's Islamic financing and investing assets portfolio is set out below under "*Risk Management – Credit Risk – Portfolio concentrations*".

As at 31 December 2020, 6 per cent. of the Group's total Islamic financing and investing assets portfolio was located outside the UAE. The Group has implemented risk management methods to mitigate and control the risks associated with this portfolio and other market risks to which the Group is exposed, see "*Risk Management*" below.

## INVESTMENTS IN ISLAMIC SUKUK AND OTHER INVESTMENTS MEASURED AT FAIR VALUE

The Group maintains a sukuk portfolio of high credit quality. This portfolio is concentrated in the GCC (see further note 10 to each of the Financial Statements) and, in particular, 55 per cent. of the sukuk portfolio (before provisions for impairment) was concentrated in the UAE as at 31 December 2020.

The table below shows a breakdown of the Group's investment portfolio (including its sukuk portfolio) as at 31 December 2020, 31 December 2019 and 31 December 2018.



	As at 31 December					
	2020		2019		2018	
	(AED millions)	%	(AED millions)	%	(AED millions)	%
<b>Investments in sukuk</b>						
Amortised cost.....	34,321	97	33,244	100	31,179	100
Fair value.....	1,034	3	-	-	-	-
	<b>35,355</b>	<b>100</b>	<b>33,244</b>	<b>100</b>	<b>31,179</b>	<b>100</b>
<b>Other investments</b>						
Investments carried at FVTPL <sup>(1)</sup> .....	-	-	-	-	-	-
Investments carried at FVTOCI <sup>(2)</sup> .....	1,111	100	1,266	100	1,688	100
	<b>1,111</b>	<b>100</b>	<b>1,266</b>	<b>100</b>	<b>1,688</b>	<b>100</b>

Notes:

(1) Fair value through profit or loss.

(2) Fair value through other comprehensive income.

## FUNDING

The table below shows the sources of the Group's funding as at 31 December 2020, 31 December 2019 and 31 December 2018.

	As at 31 December					
	2020		2019		2018	
	(AED millions)	%	(AED millions)	%	(AED millions)	%
Customers' deposits.....	205,925	73	164,418	74	155,657	72
Due to banks and financial institutions.....	13,496	5	9,147	4	13,203	6
Sukuk issued.....	18,744	7	14,852	7	12,371	6
Total equity.....	43,130	15	34,732	16	34,127	16
<b>Total funding.....</b>	<b>281,295</b>	<b>100</b>	<b>223,149</b>	<b>100</b>	<b>215,358</b>	<b>100</b>

### Customers' deposits and due to banks and financial institutions

The Group's bank deposits (recorded as due to banks and financial institutions in its consolidated statement of financial position) and customer's deposits together totalled AED 219,421 million (U.S.\$59,747 million), AED 173,565 million (U.S.\$47,261 million) and AED 168,860 million (U.S.\$45,980 million) as at 31 December 2020, 31 December 2019 and 31 December 2018, respectively. The Group's customers' deposits represented 94 per cent., 95 per cent. and 92 per cent., respectively, of total bank and customers' deposits as at those dates.

The Group's principal source of funding is its customers' deposits. The table below shows a breakdown of the Group's customer deposits as at 31 December 2020, 31 December 2019 and 31 December 2018.

	31 December		
	2020	2019	2018
	(AED millions)		
<b>Customers' deposits</b>			
Current accounts.....	50,246	32,033	33,323
Saving accounts.....	35,594	22,043	20,023
Investment deposits.....	119,643	109,848	101,796
Margin accounts.....	373	383	401
Depositors' investment risk reserve.....	14	14	10
Depositors' share of profit payable.....	54	96	103
<b>Total.....</b>	<b>205,925</b>	<b>164,418</b>	<b>155,657</b>

## Sukuk issued

### *Sukuk issuance by DIB*

#### *U.S.\$7,500 million Trust Certificate Issuance Programme (the Programme)*

*In May 2012, DIB, through a Sharia-compliant financing arrangement, established the Programme. As at 31 December 2020, DIB had five series of certificates outstanding under the Programme, with an aggregate outstanding amount of AED 18,744 million. The outstanding sukuk have expected profit rates of between 2.95 per cent. and 3.66 per cent. and mature between March 2021 and January 2026.*

### *Sukuk issuance by subsidiaries of DIB*

In 2017, DIB Pakistan issued its rated, unsecured, subordinated and privately placed Tier-II Mudaraba sukuk. The sukuk issue is rated A+ by JCR-VIS Credit Rating Company Limited. The sukuk issue has a 10 year tenor and carries an expected profit rate of 50 basis points per annum over the six month Karachi Interbank Offered Rate. The sukuk issue is redeemable at maturity and has a call option which is exercisable after five years.

In 2018, DIB Pakistan issued its rated, unsecured, subordinated and privately placed Additional Tier 1 Mudaraba sukuk. The sukuk issue is rated A+ by VIS Credit Rating Company Limited (formerly JCR-VIS Credit Rating Company Limited). The sukuk issue is a perpetual instrument and carries an expected profit rate of 1.75 per cent. per annum over the three month Karachi Interbank Offered Rate. It also has a call option which is exercisable after five years.

Following the acquisition of Noor Bank in January 2020, the U.S.\$500 million Trust Certificates issued by Noor Sukuk Company Limited (the **Noor Bank Certificates**) became liabilities of the Group. In October 2020, the holders of the Noor Bank Certificates agreed that DIB would be substituted for Noor Bank under the transaction documents relating to the Noor Bank Certificates.

## Total equity

The Group's equity funding takes the form of its share capital and reserves (including retained earnings) and its Tier 1 sukuk issued which are accounted as equity. As at 31 December 2020, the Group's share capital and reserves (including retained earnings) amounted to AED 28,606 million and its Tier 1 sukuk amounted to AED 11,937 million.

### *Tier 1 sukuk issuances*

The Group has issued Tier 1 sukuk, which are accounted as equity, through Sharia-compliant structures. The outstanding Tier 1 sukuk as at 31 December 2020 are set out in the table below.

SPV (the Issuer)	Date of issuance	Issuance amount Equivalent AED '000	Discretionary profit rate	Callable period
DIB Tier 1 Sukuk (2) Limited ..	January 2015	3,673,000 (U.S.\$ 1 billion)	6.75% per annum to be paid semi-annually	On or after January 2021 <sup>(1)</sup>
DIB Tier 1 Sukuk (3) Limited ..	January 2019	2,754,750 (U.S.\$ 750 million)	6.25% per annum to be paid semi-annually	On or after January 2025
DIB Tier 1 Sukuk (4) Limited	November 2020	3,673,000 (U.S.\$ 1 billion)	4.63% per annum to be paid semi-annually	On or after May 2026
Noor Tier 1 Sukuk Limited <sup>(2)</sup> ----	May 2016	1,836,500 U.S.\$500 million)	6.25% per annum to be paid semi-annually	On or after June 2021

Notes:

(1) These securities were called and repaid in January 2021.

(2) Following the acquisition of Noor Bank in January 2020, these Tier 1 sukuk became liabilities of the Group. In October 2020, the holders of these Tier 1 sukuk agreed that DIB would be substituted for Noor Bank under the transaction documents relating to the Tier 1 sukuk.

The Tier 1 sukuk are perpetual securities in respect of which there are no fixed redemption dates and which constitute direct, unsecured, subordinated and conditional payment obligations (senior only to share capital), subject to the terms and conditions of the relevant mudaraba agreement. In the case of each issuance, at the relevant issuer's sole discretion, it may elect not to make any mudaraba profit distributions and the event is not considered a dissolution event. In such event, the mudaraba profit will not be accumulated but forfeited to the relevant issuer. Each Tier 1 sukuk issuance is listed on the regulated market of Euronext Dublin and the sukuk issued in January 2015 and 2019 are also listed on Nasdaq Dubai while the sukuk issued in May 2016 is also listed on the DFM.

The net proceeds of the Tier 1 sukuk are invested by way of mudaraba with DIB (as mudareb), on an unrestricted co-mingling basis, in DIB's general business activities carried out through its general mudaraba pool.

### Repo facility

In the event of a liquidity crisis, the Group has a large portfolio of rated sukuk that could be used as collateral for repo facilities provided by the Central Bank as part of its measures intended to ensure that UAE banks have sufficient liquidity including, in particular, through access to the Central Bank's Islamic-compliant CD repo facility.

### CAPITAL ADEQUACY

The Group calculates its capital adequacy ratio in accordance with the capital adequacy regulations, standards and guidelines issued by the Central Bank in line with Basel III requirements (see further "*The United Arab Emirates Banking Sector and Regulations – Recent Trends in Banking – Capital adequacy*"). The Central Bank introduced the Basel III Regulations (as defined herein) introducing minimum capital requirements at three levels: common equity tier 1 (**CET1**), tier 1 and total capital. The Group must maintain a minimum CET1 ratio of 7 per cent. and a total capital ratio of at least 13.5 per cent. (including the buffers referred to below).

The Central Bank has also introduced capital buffers which must be maintained in addition to the minimum CET1 requirement of 7 per cent.: (i) the Group is currently required to maintain a capital conservation buffer (**CCB**) of 2.5 per cent. of risk weighted assets and a domestic systemically important bank buffer (**D-SIBB**) of 0.5 per cent. of risk weighted assets; and (ii) a countercyclical capital buffer (**CCyB**), which must be maintained at a level determined by the Central Bank between 0 – 2.5 per cent. of risk weighted assets. The CCyB is not yet in effect and was not required to be maintained in 2020. Therefore, the combined buffer requirement applicable to the Group as at the date of this Prospectus comprises only the CCB and the D-SIBB.

With effect from 15 March 2020 until 31 December 2021, banks in the UAE are allowed to tap into their CCB up to a maximum of 60 per cent. and to use 100 per cent. of their D-SIBB without supervisory consequences, as part of the measures adopted by the Central Bank to help UAE banks deal with the COVID-19 crisis.

The table below shows the Group's capital ratios determined in accordance with Basel III as at 31 December 2020, 31 December 2019 and 31 December 2018.

	As at 31 December		
	2020	2019	2018
	<i>(AED millions, except percentages)</i>		
Capital base .....	41,427	31,331	30,816
<b>Risk weighted assets</b>			
Credit risk .....	204,934	172,474	161,738
Market risk .....	2,582	2,159	1,521
Operational risk .....	16,564	14,922	13,267
<b>Risk weighted assets .....</b>	<b>224,080</b>	<b>189,555</b>	<b>176,525</b>

### Risk asset ratio

Tier 1 capital ratio.....	17.3%	15.4%	16.3%
Capital adequacy ratio.....	18.5%	16.5%	17.5%
Common equity tier 1 ratio.....	12.0%	12.0%	12.4%

## RELATED PARTIES

Certain related parties (principally major shareholders, associated companies, directors and senior management of DIB and companies of which they are principal owners) are customers of the Group in the ordinary course of business. The transactions with these parties were made on substantially the same terms, including profit and commission rates, as the case may be, and the requirements for collateral, as those prevailing at the same time for comparable transactions with unrelated parties and did not involve an amount of risk which was more than the amount of risk relating to such comparable transactions. No impairment allowances have been recognised against financing and investing assets extended to such related parties.

The table below shows the amounts outstanding as at 31 December 2020, 31 December 2019 and 31 December 2018 in respect of transactions entered into by the Group with related parties:

	As at 31 December		
	2020	2019	2018
	<i>(AED millions)</i>		
Islamic financing and investing assets .....	1,905	1,691	1,538
Investment in Islamic sukuk .....	158	557	1,498
Customers' deposits.....	2,293	2,290	4,410
Contingent liabilities and commitments .....	1	1	-

The table below shows income earned from and profit paid to related parties in each of the years ended 31 December 2020, 31 December 2019 and 31 December 2018.

	Year ended 31 December		
	2020	2019	2018
	<i>(AED millions)</i>		
Income from Islamic financing and investing.....	46	66	74
Income from investment in Islamic sukuk.....	13	27	58
Depositors' share of profits.....	37	94	136

See further, note 43 to each of the Financial Statements.

## INFORMATION TECHNOLOGY

DIB recognises the importance of technology in building the Group's business capabilities with the ambition of accomplishing its objectives of growth, expansion and competitive market positioning. Technology is at the core of the Group's strategy and for that reason a digital technology roadmap is embedded within its business plans.

The Group's IT capabilities aim to provide state of the art customer engagement platforms, integrated with robust, scalable data, analytics and core banking systems, hosted on highly resilient cloud-enabled data centres. This is to ensure the delivery of a flawless experience to customers.

Through its IT, the Group aspires to provide its businesses with a continuous competitive advantage and for that purpose it has a robust transformation plan that is committed to deliver operational efficiencies, productivity and high quality risk management competences.

## COMPLIANCE

The Group has a compliance function in place, which is headed by a dedicated compliance officer (the **Group Head of Compliance**). The Compliance Officer reports to the Group CEO of DIB, has direct access to the Board through the Board Risk, Compliance & Governance Committee and also has access to the board

committees, as and when required. The Compliance Officer is responsible for coordinating and overseeing the effective implementation of compliance programme and policies across the Group.

The Group's compliance policies have been devised to prevent exposure to various risks (including money laundering, terrorist financing and sanctions). These policies are also aimed at ensuring compliance with sanction programmes including but not limited to the UAE, the USA, the United Nations and the EU. Moreover, they focus on meeting the requirements of applicable laws and regulations, and adopting international best practices on various compliance controls.

As per applicable laws and regulations and international best practices, the Group follows a risk-based approach and conducts risk-based assessments in respect of all its activities and provides advice to all of its UAE-based branches and financial subsidiaries to ensure compliance with the applicable laws and regulations. DIB requires that its Anti-Money Laundering (AML), Counter Financing of Terrorism (CFT), Client Acceptance, FATCA and Common Reporting Standard (CRS) policies and practices are adopted by all its branches and financial subsidiaries within the Group.

The Group also carries out enhanced due diligence on customers who are classified as high risk (including Politically Exposed Persons (PEPs)) at the time of onboarding and again at the time of know your customer (KYC) renewals of existing customers. The Group also monitors transaction activity for customer transactions that are deemed as unusual.

The Group has a monitoring programme to prevent, detect and report suspicious and dubious transactions, which includes advanced AML/CFT monitoring systems to monitor transactions and respond appropriately. The Group also monitors its customer transaction profiles based upon pre-determined thresholds and scenarios.

The Group's compliance policies and practices are subject to periodical review and assessment for effectiveness and adequacy by its internal audit function, as well as by the Central Bank. Mandatory compliance training is provided to all relevant staff both at onboarding and periodically thereafter to help ensure that key requirements are complied with.

## **INTERNAL AUDIT**

Risk management processes throughout the Group are audited periodically by its internal audit function which examines both the adequacy of the Group's risk management procedures and the Group's compliance with them. Members of the Internal Audit department discuss the results of their assessments with the Group's management and report their findings and recommendations to the Audit Committee.

## **BUSINESS CONTINUITY PLANNING AND DISASTER RECOVERY**

The Group has implemented business continuity planning (BCP) and disaster recovery (DR) systems to prepare for unexpected business disruption events. Business continuity testing is carried out on an annual basis for all of the Group's critical systems. In addition, each year a plan is put in place to perform disaster recovery drills for such critical systems. The Group reviews its BCP and DR capabilities on an ongoing basis and updates them to include the latest technologies and handle any new threats to the Group's business.

The Group's BCP policy is derived from a number of BCP best practices, including the UAE local standard, ISO 22301 and the British standard. The Group has also adopted the BCP guidelines of the Central Bank.

The Group has set-up dedicated business continuity sites at a number of different locations within the UAE. The Group's DR site is also kept separate and distant from its primary IT systems site. The Group also complies with the UAE's local emergency management practices. The Group has enhanced its BCP capacity by adding work from home framework as an additional tool to the business continuity infrastructure.

The Group's crisis management committee is responsible for managing BCP and DR within the Group. The committee also oversees handling of any cyber incidents within DIB.

## **RISK MANAGEMENT**

### **OVERVIEW**

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subjecting risk to limits and the implementation of other risk controls, as described below. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his particular responsibilities.

The Group is exposed to a number of risks, including credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. The Group is also subject to operating risks.

The Group's independent risk control process does not include business risks such as changes in the environment, technology and industry. These risks are monitored through the Group's strategic planning process.

### **RISK MANAGEMENT STRUCTURE**

The Board, supported by the Board Risk, Compliance & Governance Committee, the Management Risk Management Committee and the Risk Management Department, is ultimately responsible for identifying and controlling risks within the Group. There are also other independent bodies responsible for managing and monitoring risks.

#### **Board of Directors**

The Board is responsible for the Group's overall risk management approach and for approving its risk strategies and policies.

#### **Board Risk, Compliance & Governance Committee**

The Board Risk, Compliance & Governance Committee has overall responsibility for the development of the risk strategies, frameworks, policies and limits and for recommending these to the Board. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

#### **Management Risk Management Committee**

The day-to-day monitoring of risk has been delegated to the Management Risk Management Committee. This committee has the overall responsibility to support the Board Risk Management Committee for the development and formulation of the risk strategies, frameworks, policies and limits. It is also responsible for ensuring compliance with all risk limits, monitoring risk exposures and implementing the regulatory guidelines issued by relevant regulatory bodies, such as the Central Bank.

#### **Risk Management Department**

The Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure that risk remains within the acceptable range approved by the Board Risk Management Committee and the Board. The Risk Management Department is responsible for credit administration, portfolio management, credit risk, market risk, operational risk and overall risk control.

#### **Asset and Liability Management Committee**

ALCO is responsible for managing the Group's assets and liabilities and its overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

Collection & Remedial Management Committee (the CRMC)

The CRMC is a management level of authority. The primary purpose of the CRMC is to take remedial decisions and monitor recovery activities within the discretionary authority delegated to it by the Executive Committee and the Board. In performing its role, the CRMC periodically reviews and provides constructive recommendations to the Executive Committee and/or the Board on the policies, guidelines and processes for remedial activities in the Group.

### **Management Credit Committee**

The Management Credit Committee is a management level of authority responsible for taking credit decisions and monitoring credit activities within the discretionary authority delegated to it by the Board. In performing its role, the Management Credit Committee periodically reviews and provides constructive recommendations to the Board on the Group's credit policies, guidelines, processes and the future direction of credit/investment activities within the Group.

### **Internal Audit Department**

Risk management processes throughout the Group are audited periodically by the Internal Audit Department which examines both the adequacy of the procedures and the Group's compliance with the procedures. The Internal Audit Department comments on the results of their assessments to management and reports its findings and recommendations to the Board Audit Committee.

## **RISK MEASUREMENT AND REPORTING SYSTEMS**

The Group measures risks using qualitative as well as quantitative methods for credit, market and operational risks. Further, the Group also uses quantitative analysis and methods to support revisions in business and risk strategies when required. These analyses and methods reflect both the expected loss likely to arise in the normal course of business and unexpected losses resulting from unforeseen events, which are based on simple statistical techniques and probabilities derived from historical experience. The Group also runs stress scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Board and management. These limits reflect the business strategy and market environment of the Group as well as the level of risk that it is willing to accept, with additional emphasis on selected industries. Information compiled from all of the Group's business units is examined and processed in order to analyse, control and identify risks at an early stage. This information is presented and explained to the Board and management. Specialised reports are presented to the heads of business and are delivered with a frequency suited to the volatility of the risk. The reports include aggregate credit exposure, limit exceptions, liquidity, operational loss incidents and other risk profile changes. Detailed reporting of industry, customer and geographic risks takes place on a monthly basis. DIB's senior management assesses the appropriateness of its provisions for impairment losses on a quarterly basis.

## **MODEL RISK MANAGEMENT**

The Group uses a number of quantitative models in many of its financial and business activities from underwriting a credit facility to reporting expected credit losses under IFRS 9.

To manage the model risks, the Group has developed and implemented a model governance framework which contains Group-wide development, implementation and validation policies and practices. According to the framework, all internally or externally developed risk quantification models that directly affect the financial reporting on expected credit losses require validation periodically (internally or externally). The Model Risk Management Committee (**MRMC**) is responsible for overseeing all model-related development, implementation of framework and performance of the models. The MRMC reports to Risk Management Committee.

The framework establishes a systematic approach to manage the development, implementation, approval, validation and ongoing use of models. It sets out an effective governance and management structure with clearly defined roles and responsibilities, policies and controls for managing model risk. The framework is reviewed on a regular basis to ensure it meets regulatory standards and international practices. Any major change to the framework is approved by the Risk Management Committee upon recommendation of the MRMC.

The Group has an independent validation function that performs independent model validation. It provides fit-for-purpose, conditional approval or not fit-for-purpose recommendations to the MRMC to approve the use of the new risk quantification or valuation models. In addition to new model validation, the validation function also evaluates the performance of existing models through an annual validation process.

## **RISK MITIGATION**

As part of its overall risk management process, the Group uses various methods to manage exposures resulting from changes in credit risks, liquidity risks, market risks (including profit rate risks, foreign exchange risks and equity price risks) and operational risks.

The Group seeks to manage its credit risk exposures through diversification of financing and investment activities to avoid undue concentration of risk with individuals and groups of customers in specific locations or businesses. The Group actively uses collateral to reduce its credit risks. See "*Credit Risk*" below for further details.

The Group's market risk is managed on the basis of predetermined asset allocation across various asset categories and a continuous appraisal of movements in market conditions. The Group also continuously monitors expected changes in foreign currency rates, benchmark profit rates and equity prices in order to mitigate market risk. See "*Market Risk*" below for further details.

In order to mitigate against liquidity risk, the Group's management has access to diversified funding sources. The Group's assets are managed with its overall liquidity in mind as well as with a view to maintaining an appropriate balance of cash and cash equivalents in order to be able to meet its contractual liabilities at short notice.

To manage all other risks, the Group has developed a detailed risk management framework supported by dedicated policies intended to identify and apply resources effectively in order to mitigate against those risks occurring.

## **RISK CONCENTRATION**

Concentrations of risk arise within the Group when a number of its counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to the Group to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines which require it to focus on maintaining a diversified portfolio of Islamic financing and investment assets. Where concentrations of credit risks are identified, the Group aims to control and manage these accordingly (as described further below).

### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss and is inherent in a wide range of the Group's businesses. Credit risks could arise from a deterioration in the credit quality of specific counterparties of the Group, from a general deterioration in local or global economic conditions or from systemic risks with the financial system. The Group attempts to regulate credit risk by implementing a credit risk strategy and attempts to minimise credit



risk by monitoring credit exposures (in particular, in relation to those counterparties falling within higher risk rating bands), limiting transactions with specific counterparties and continually assessing the creditworthiness of its counterparties. In addition to monitoring credit limits, the Group manages credit exposure relating to its trading activities by entering into collateral arrangements with counterparties in appropriate circumstances and limiting the duration of its exposure to those counterparties. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

### **Management of credit risk**

The Group's credit risk management framework includes:

- establishment of an authorisation structure and limits for the approval and renewal of credit facilities;
- reviewing and assessing credit exposures in accordance with its authorisation structure and limits, prior to facilities being approved for advance to customers. Renewals and reviews of facilities are subject to the same review process as occurs in respect of an application for a new facility;
- limiting concentrations of exposure to industry sectors, geographic locations and counterparties; and
- reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with the risk management strategy and market trends.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of its counterparties. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. The Group's risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed.

### **Credit risk measurement**

The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparties. Whilst some of the models for real estate projects have been developed internally, those relating to the Group's corporate, contracting and SME businesses have been acquired from Moody's and subsequently optimised and calibrated to the Group's internal rating scale.

The Group's rating tools are kept under review and upgraded as necessary. The Group regularly validates the performance of the rating tools and their predictive power with regard to default events.

### **Collateral**

The Group employs a range of policies and practices to mitigate credit risk. The most traditional and commonly used policy is to take collateral against the amount advanced. The Group has implemented guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal types of collateral obtained in respect of the Group's Islamic financing and investing assets are:

- mortgages over residential and commercial properties;
- corporate guarantees;
- charges over business assets such as premises, machinery, vehicles and inventory; and
- charges over financial instruments such as deposits and equities.

The amount and type of collateral required by the Group depends on its assessment of the particular counterparty's credit risk. The Group implements guidelines regarding the acceptability of particular types of collateral and the parameters put in place for valuing it.

## Islamic derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the Group's consolidated statement of financial position.

## Credit-related commitments risks

The Group makes available to its customers guarantees and letters of credit which require it to make payments in the event that its customer fails to fulfil certain obligations it owes to other parties. This exposes the Group to a similar credit risk to that faced by it in respect of its financing and investing assets, and these risks are mitigated by the same control processes and policies as described above.

## Portfolio concentrations

As described above, concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, in activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. The Group's credit policies are structured to ensure that the Group is not over-exposed to a given client, industry or geographic area through diversification of financing and investment activities.

The table below shows the industry breakdown of the Group's total Islamic financing and investing assets as at 31 December 2020, 31 December 2019 and 31 December 2018.

	As at 31 December					
	2020		2019		2018	
	(AED millions)	%	(AED millions)	%	(AED millions)	%
<b>Portfolio concentration total Islamic financing and investing assets – by industry sector</b>						
Government.....	26,411	13	9,131	6	7,267	5
Financial institutions.....	9,475	5	6,761	4	6,475	4
Real estate.....	42,402	21	32,801	21	28,843	19
Contracting.....	5,340	3	6,018	4	6,764	4
Trade.....	8,160	4	8,228	5	8,247	5
Aviation.....	20,546	10	17,489	11	18,884	13
Services and others.....	41,949	20	35,381	23	34,399	23
Consumer home finance.....	21,144	10	14,552	9	13,648	9
Consumer financing.....	29,662	14	26,636	17	25,938	17
<b>Total</b> .....	<b>205,090</b>	<b>100</b>	<b>156,994</b>	<b>100</b>	<b>150,466</b>	<b>100</b>

The table below shows the concentration of the Group's gross total Islamic financing and investing assets by geographical area as at 31 December 2020, 31 December 2019 and 31 December 2018.

	As at 31 December					
	2020		2019		2018	
	(AED millions)	%	(AED millions)	%	(AED millions)	%
<b>Portfolio concentration total Islamic financing and investing assets – by geographical area</b>						
Within UAE.....	193,079	94	146,718	93	142,266	95
Outside UAE.....	12,011	6	10,276	7	8,200	5
<b>Total</b> .....	<b>205,090</b>	<b>100</b>	<b>156,994</b>	<b>100</b>	<b>150,466</b>	<b>100</b>

The table below shows the Group's non-performing assets ratio and provision coverage ratio as at 31 December 2020, 31 December 2019 and 31 December 2018.

	Portfolio outstanding net of future profits	Bilateral sukuk	Total	Non performing assets	Provisions held	Non performing/ portfolio outstanding net of future profits and bilateral sukuk	Provisions/ non performing
		(AED millions)				(%)	
31 December 2020 ..	205,090	5,802	210,892	12,061	8,401	5.7	76.3 <sup>(1)</sup>
31 December 2019 ..	156,994	3,219	160,213	6,310	6,081	3.9	101.0 <sup>(1)</sup>
31 December 2018 ..	150,466	3,219	153,685	5,251	5,727	3.4	111.5

Note:

(1) The 31 December 2020 provision coverage ratio includes the impact of fair value adjustment on the Stage 1 and Stage 2 Islamic financing and investing portfolio acquired from Noor Bank and the provision coverage ratio as at both 31 December 2020 and 31 December 2019 include the regulatory credit risk reserve created in accordance with the guidelines of the Central Bank.

### Impairment assessment

The Group applies a three-stage approach to measure allowances for credit losses, using an Expected Credit Loss (ECL) model as required under IFRS 9, for the following categories of financial instruments that are measured at amortised cost:

- Islamic financing and investing assets and investment in Islamic sukuk;
- off-balance sheet instruments issued;
- financial guarantee contracts issued;
- due from banks and financial institutions;
- balances with Central Banks; and
- other financial assets.

The ECL model is based on the change in credit quality of financial assets since initial recognition. Expected credit losses reflect the present value of all cash shortfalls related to default events either: (i) over the following 12 months; or (ii) over the expected life of a financial instrument depending on credit deterioration from inception. The three stages are as follows:

- under stage one, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded;
- under stage two, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded; and
- under stage three, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

The ECL model is forward-looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL. No impairment loss is recognised on equity investments.

For a discussion of the manner in which ECL is measured, see note 5.3.9 to the 2020 Financial Statements. This note also discusses the impact of COVID-19 on the determination of ECL and the measures

implemented by the Central Bank as well as guidelines issued by the IASB and Basel Committee in March and April 2020, respectively.

The table below shows the movements in the Group's provision for impairment in respect of its Islamic financing and investing assets for the years ended 31 December in each of 2020, 2019 and 2018.

	Year ended 31 December		
	2020	2019	2018
		(AED millions)	
Balance at 1 January .....	6,081	5,727	5,998 <sup>(1)</sup>
Impairment charge during the year .....	4,365	2,095	1,789
Write-back/recoveries during the year .....	(555)	(435)	(869)
Write-off.....	(1,642)	(1,311)	(1,166)
Exchange and other adjustments.....	153	4	(25)
Balance at the end of the year .....	<b>8,401</b>	<b>6,081</b>	<b>5,727</b>

Note:

(1) After adjustments to reflect the adoption of IFRS 9 on 1 January 2018.

A more detailed table showing the split of the provision between IFRS 9 stages can be found in note 9.3 to each of the Financial Statements.

## LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to the Group's core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

DIB is required to have a robust liquidity risk framework in place to manage its liquidity position in accordance with the qualitative and quantitative requirements issued by the Central Bank. Pursuant to the qualitative requirements, DIB has been compliant with, and has adopted, the Basel III liquidity coverage ratio since June 2018. DIB is also compliant with both the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

The Group maintains a portfolio of highly marketable and diverse assets that it believes can be liquidated easily in the event of an unforeseen interruption of its cash flows. The Group also has committed lines of credit that it can access to meet liquidity needs should the need arise. In addition, the Group maintains statutory deposits with certain central banks. The Group's liquidity position is assessed and managed under a variety of scenarios, which give due consideration to stress factors relating to both the market in general and those specific to the Group.

The Group believes that the high quality of its asset portfolio ensures its liquidity, which, coupled with its own funds and stable customer deposits, help form a stable funding source. DIB is confident that, even under adverse conditions, the Group will have access to the funds necessary to cover customer needs and meet its funding requirements.

The Group's primary tool for monitoring its liquidity is the maturity mismatch analysis, which is monitored over successive time bands and across functional currencies. See note 47.3.3 to the 2020 Financial Statements which summarise the maturity profile of the Group's assets and liabilities analysed according to when they are expected to be recovered or settled which show negative maturity gaps (total assets minus total liabilities and equity) in the less than three months and three months to one year buckets and, on a cumulative basis, in the one to five year bucket as at 31 December in each of 2020 and 2019. Guidelines have been established by the Group for the cumulative negative cash flow over successive time periods.

In addition note 47.3.3 to the 2020 Financial Statements shows the maturity profile of the gross cash flows of the Group's financial assets and liabilities as at 31 December in each of 2020 and 2019 and note 47.3.4 to the

2020 Financial Statements shows the maturity profile of the Group's contingent liabilities and commitments as at 31 December in each of 2020 and 2019.

### Liquidity risk management process

The Group's liquidity risk management process which is monitored by a separate team in the Treasury department, includes:

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes the replenishment of funds as they mature or are financed by customers;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to the Group's cash flows;
- monitoring the Group's consolidated statement of financial position liquidity ratios against internal and regulatory requirements; and
- managing the concentration and profile of the maturity dates of its investing and financing exposures.

The COVID-19 crisis has affected liquidity in both global and regional markets. To address this, the Central Bank has provided zero cost funding to all eligible banks and has eased out regulatory cash reserve requirements for banks in the UAE. In order to allow banks to utilise the released liquidity, the Central Bank reduced the liquidity ratios (LCR and NSFR).

The ALCO and Liquidity Management Committee meet on a regular basis with particular focus on liquidity management. The Group has considered new options for expanding its liabilities base (through changed tenors and currencies) and has focused on its capital market funding plan. The Group is also strengthening its liquidity buffers by timing disbursements to customers along with a strict focus on enhancing deposit relationships across all customer segments.

The table below shows a number of liquidity ratios for the Group as at 31 December 2020, 31 December 2019 and 31 December 2018.

	As at 31 December		
	2020	2019	2018
		%	
<b>Liquidity ratios:</b>			
Liquid assets <sup>(1)</sup> /customer deposits.....	11	11	11
Customer deposits/total deposits(2) .....	94	95	92
Net financing and investment assets/customer deposits .....	96	92	93
Net financing and investment assets/total assets.....	68	65	65
LCR.....	129	142	—
NSFR .....	90	108	—

Notes:

- (1) Liquid assets comprise cash and balances with central banks and due from banks and financial institutions minus due to banks and financial institutions.
- (2) Total deposits comprise customers' deposits and due to banks and financial institutions.

### MARKET RISK

Market risk arises from changes in market rates such as profit rates, foreign exchange rates and equity prices, as well as in their correlation and implied volatilities. Market risk management is designed to limit the amount of potential losses on the Group's open positions which may arise due to unforeseen changes in profit rates, foreign exchange rates or equity prices. The Group is exposed to diverse financial instruments including securities, foreign currencies, equities and commodities.

The Group pays considerable attention to market risk. It uses appropriate models, in accordance with standard market practice, to value its positions and receives regular market information in order to regulate its market risk.

The Group's market risk framework comprises the following elements:

- limits to ensure that risk-takers do not exceed aggregate risk and concentration parameters set by senior management; and
- independent mark-to-market valuation, reconciliation of positions and tracking of stop-losses for trading positions on a timely basis.

The policies, procedures and limits are set to ensure the implementation of the Group's market risk policy in day-to-day operations. These are reviewed periodically to ensure they remain in line with the Group's general market risk policy. DIB's Group Chief Risk Officer ensures that the market risk management process is always adequately and appropriately staffed. In addition to its internal procedures and systems, the Group is required to comply with the guidelines and regulations of the Central Bank.

### **Profit margin risk**

The Group is not significantly exposed to risk in terms of the repricing of its customer deposits since, in accordance with Sharia, the Group does not provide contractual rates of return to its depositors or investment account holders. The return payable to depositors and investment account holders is based on the principle of the Mudaraba by which the depositors and investment account holders agree to share the profit or loss made by the Group's common and wakala pool over a given period.

### **Profit rate risk**

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Group manages this risk through risk management strategies.

The effective profit rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument or an instrument carried at fair value.

The Group manages profit rate risk in its banking book using value at risk methodology and by stress testing parallel shifts of profit rate movements. See further note 47.4.2 to the 2020 Financial Statements.

### **Foreign exchange risk**

The Group has income recorded in its overseas subsidiaries and is therefore exposed to movements in the foreign currency rates used to convert this income into dirham, see further notes 47.4.3 and 47.4.4 to the 2020 Financial Statements.

### **Equity price risk**

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the level of equity indices and the value of individual stocks. Non-trading equity price risk exposure arises from the Group's investment portfolio. See further note 47.4.5 to the 2020 Financial Statements.

## **OPERATIONAL RISK**

Operational risk is the potential exposure to financial or other damage arising from inadequate or failed internal processes, people or systems.

The Group has developed a detailed operational risk framework which defines the roles and responsibilities of individuals/units across different functions that are involved in performing various operational risk management tasks. The Group's operational risk management framework is intended to ensure that its operational risks are properly identified, monitored, managed and reported. Key elements of this framework include process mapping, setting up a loss database, establishing key risk indicators (**KRIs**), risk analysis and risk management reporting.

The Group currently utilises eGRC and ORMS, as operational risk tracking systems, to track operational risk events across its businesses. The systems house more than five years of operational loss data. The systems also record KRIs, risk control self-assessment and scenario-based fraud risk self-assessment.

Each new product introduced by the Group is subject to a risk review and sign-off process where all relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product.

Variations of existing products are also subject to a similar process. The Group's business and support units are responsible for managing operations risk in their respective functional areas. They operate within the Group's operational risk management framework and ensure that risk is managed within their respective business units. The day-to-day management of operational risk is carried out through the maintenance of a comprehensive system of internal controls, supported by robust systems and procedures to monitor transaction positions and documentation, as well as maintenance of key backup procedures and business contingency planning.

## **REGULATORY / COMPLIANCE RISK**

Regulatory/compliance risk is the risk of reputational and/or financial losses due to the failure to comply with applicable laws, regulations or sanctions. The Group has an independent compliance function, with the necessary mandate and authority to enforce and monitor compliance. See "*Description of the Group - Compliance*".

## **REPUTATIONAL RISK**

Reputational risk is the risk of potential loss of earnings and future revenue, loss in market value or lack of liquidity supply due to deterioration of reputation. It also includes the threat to the brand value of a financial institution.

Reputational risk can arise as a consequence of failures with a strong negative perception amongst clients, shareholders, creditors or the public. The Group has measures to ensure a positive perception of the Group and that overall risk management ensures appropriate management of reputational risk.

## **LEGAL RISK**

The Group has a full-time team of legal advisers who deals with both routine and more complex legal cases. Situations of a particular complexity and sensitivity are referred to external firms of lawyers, either in the UAE or overseas, as appropriate. The Group also seeks to mitigate legal risk through the use of properly reviewed standard documentation and where necessary, seeking appropriate legal advice in relation to its non-standard documentation.

## **SHARIA NON-COMPLIANCE RISK**

DIB is exposed to Sharia non-compliance risk, being the risk that arises from DIB's failure to comply with (a) resolutions, fatwas, regulations, and standards issued by the Higher Sharia Authority of the Central Bank of the UAE (the **HSA**) in relation to DIB's licensed activities and businesses; and (b) resolutions and fatwas issued by the Internal Sharia Supervisory Committee of DIB (the **ISSC**) in relation to DIB's licensed activities and businesses (provided these do not contradict any HSA resolutions).

DIB has an effective Sharia governance in place to manage and mitigate Sharia non-compliance risk. DIB's Board of Directors is ultimately responsible for DIB's compliance with the principles of Sharia with respect

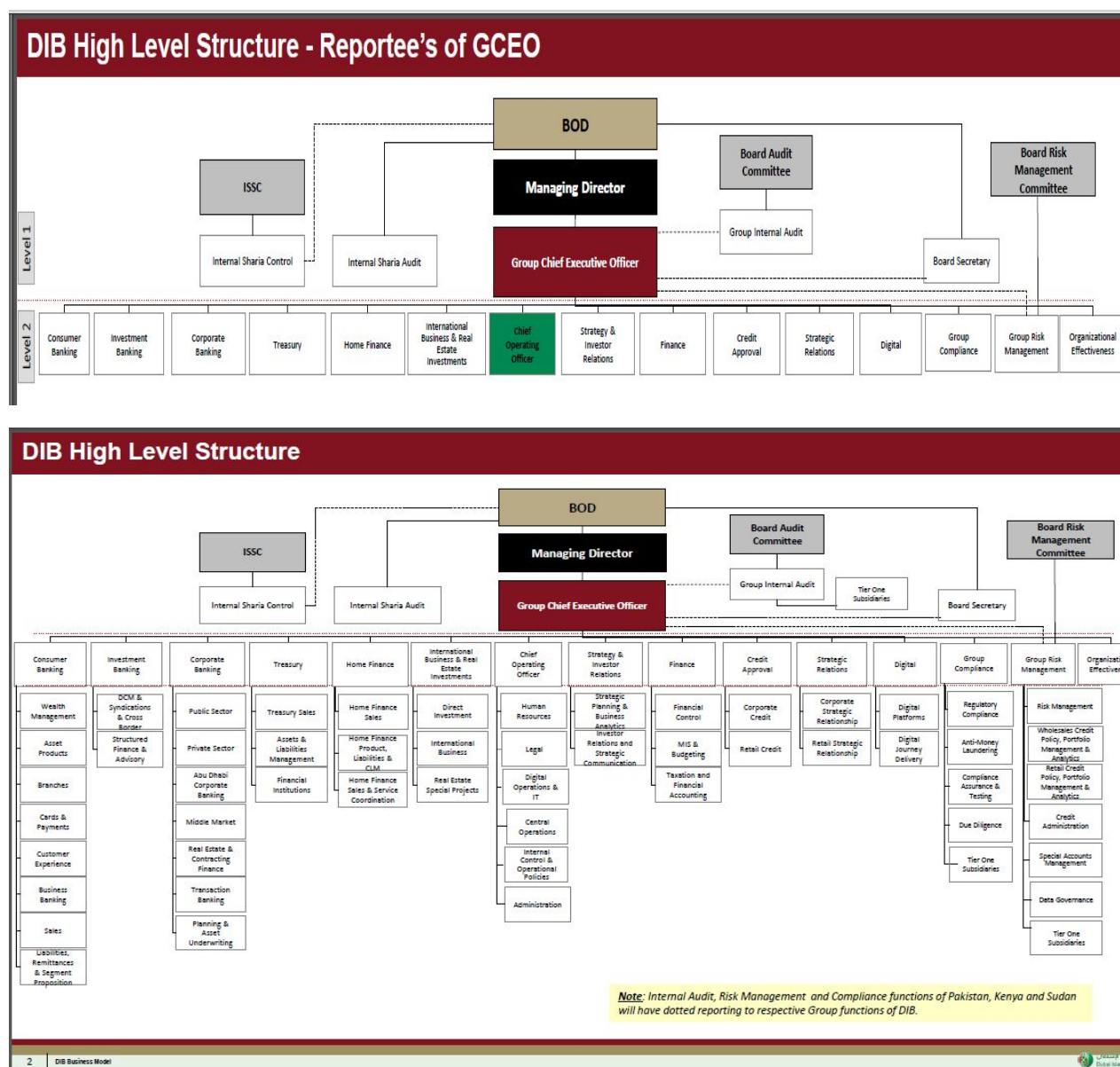
to all its licensed activities and businesses through the implementation of a robust Sharia governance framework that conforms to the resolutions of the HSA.

To ensure DIB's Sharia compliance, all products, services, transactions and matters are duly approved by the ISSC. DIB maintains effective internal Sharia controls comprising three distinct lines of defense, including (i) the business (which adopts robust policies, procedures and controls approved by ISSC), (ii) the internal Sharia control department (which supports the ISSC), and (iii) the internal Sharia audit department (which undertakes Sharia audits and monitors on-going compliance).



## MANAGEMENT AND EMPLOYEES

The following charts summarise the principal features of the organisational structure within the Group:



## BOARD OF DIRECTORS

The Board of Directors is elected by shareholders at a general meeting. DIB requires the majority of its Board to be UAE nationals. Each Director is appointed for a three year term at the end of which the Board is re-elected. The Board has the necessary power to manage DIB and act on its behalf.

The following table sets out the names of the current members of DIB's Board of Directors:

Name	Designation
H.E. Mohammad Ibrahim Al Shaibani	Board Chairman
Mr. Yahya Saeed Ahmad Lootah	Vice Chairman
Mr. Abdulla Ali Obaid Al Hamli	Board Member / Managing Director
Mr. Hamad Abdulla Rashed Al Shamsi	Board Member
Mr. Ahmad Mohammad Bin Humaidan	Board Member
Mr. Abdulaziz Ahmed Rahma Al Mheiri	Board Member

Mr. Hamad Mubarak Buamim	Board Member
Mr. Abdulla Hamad Rahma Al Shamsi	Board Member
Mr. Javier Marin Romano	Board Member

The address of each member of the Board is P.O. Box 1080, Dubai, UAE. There are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Group. Each member of the Board (except the managing director) is an independent and non-executive director of DIB.

Detailed below is brief biographical information on the members of the Board.

#### **H.E. Mohammad Ibrahim Al Shaibani**

H.E. Mohammed Ibrahim Al Shaibani is the Director General of H.H. the Dubai Ruler's Court, a prime government body of the Emirate. He is also the CEO and Executive Director of the ICD, the principal investment arm of the Government of Dubai.

H.E. Al Shaibani serves as Vice Chairman of the Supreme Fiscal Committee of Dubai, which oversees Dubai's fiscal policies. He is a member of Dubai's Executive Council, an entity charged with supervising and supporting Dubai's government bodies. H.E. Al Shaibani is also Deputy Chairman of the Higher Committee of World Expo 2020, the upcoming universal fair to be held in Dubai.

H.E. Al Shaibani serves as Chairman of the Board of Directors at Nakheel Properties, the world-leading property developer with innovative landmark projects in Dubai, including the award-winning iconic "Palm Jumeirah" and "The World Jumeirah Islands".

H.E. Al Shaibani is Chairman of the Board. He is also a member of the board at several government-related organisations including Dubai World, and Dubai Aerospace Enterprise Limited.

In 2009, he played a pivotal role in restructuring Dubai's debt.

#### **Mr. Yahya Saeed Ahmad Lootah**

Mr. Lootah serves as a Vice-Chairman of the Board. Mr. Lootah has over 20 years' experience with S.S. Lootah Group, a leading diversified business based in Dubai which is active across key business sectors ranging from construction, real estate, energy and financial services, applied research, ICT, education, hospitality, media and healthcare. He currently serves as the Chairman of the S.S. Lootah Group. Under his leadership, S.S. Lootah Group has received, amongst others, the Mohammed Bin Rashid Business Award and the Dubai Award for Sustainable Transport. In addition, Mr. Lootah is a member of the Board of Directors of the Dubai Chamber of Commerce and Industry, as well as a member of the Board of Trustees of Dubai Medical College and the Advisory Board of the Faculty of Engineering at the American University in Dubai.

Mr. Lootah holds a degree in Civil Architectural Engineering as well as a Master's of Science degree in Engineering from University of Bridgeport, Connecticut.

#### **Mr. Abdulla Ali Obaid Al Hamli**

Mr. Al Hamli has served as the CEO of DIB from 2008, and is also a member of DIB's Board. Mr. Al Hamli joined DIB in 1999. Before assuming the role of CEO, he served as DIB's Chief Information Officer where he directed the IT & Operations team and oversaw the upgrade of DIB's IT infrastructure. Mr. Al Hamli is currently Chairman of Tamweel following his appointment to this position in November 2010. Mr. Al Hamli was appointed as Managing Director of DIB in mid-2013.

Mr. Al Hamli serves as Chairman of the property developer, Deyaar Development. He holds a degree in Economics and Mathematics from Al Ain University, UAE.

Mr. Al Hamli also serves as Chairman of the Board of Directors of Emirates REIT, the UAE's largest listed Sharia-compliant real estate investment trust, and the first DFSA-licensed real estate investment trust.

In 2020, Mr. Al Hamli was appointed as a Board Member of Noor Bank.

#### **Mr. Hamad Abdulla Rashed Al Shamsi**

Mr. Al Shamsi serves as a member of the Board.

Mr. Hamad Abdulla Al Shamsi also serves as the Chief Executive Officer of International Capital Trading LLC, an Abu Dhabi headquartered private investment company.

With a wealth of experience spanning several decades, he has run businesses across multiple disciplines, and has particular expertise in the area of financial services and investments.

He served in the Abu Dhabi Investment Authority before moving to the Private Department of His Highness the late Sheikh Zayed Bin Sultan Al Nahyan.

He currently serves on the Board of Directors of several leading private and government institutions engaged in commercial, financial and service-based activities in the UAE, including Etihad Airways. He currently serves as the Chairman of Amanat Holding PJSC. His former Board appointments include Abu Dhabi Securities Exchange, Media Zone Authority, Abu Dhabi Council for Economic Development, Al Qudra Holding, Finance House, Al Hilal Bank, Abu Dhabi Aviation and Abu Dhabi Airports Company.

Mr. Al Shamsi holds a Bachelor's degree in Business Administration from UAE University and MBA majoring in Finance and Banking from USA.

#### **Mr. Ahmad Mohammad Bin Humaidan**

Mr. Bin Humaidan serves as a member of the Board.

Mr. Bin Humaidan has over 28 years' experience in strategic thinking, strategic planning, projects management, leading improvement programmes and change management and also serves as Deputy Director General of H.H. The Ruler's Court, Government of Dubai and as the Vice Chairman of the Board of Smart Dubai. He has also previously served as the Director General for Dubai Smart Government and as the Director of Projects for The Executive Office of His Highness Sheikh Mohammad Bin Rashid Al Maktoum, Vice President and Prime Minister of UAE and Ruler of Dubai. Mr. Bin Humaidan started his career with Emirates/Dnata Group of companies where he worked for five years.

Mr. Bin Humaidan holds a degree in Electrical Engineering from UAE University as well as a Business Administration diploma from Sheffield Hallam University, United Kingdom.

#### **Mr. Abdulaziz Ahmed Rahma Al Mheiri**

Mr. Al Mheiri serves as a member of the Board. Mr. Al Mheiri also serves as a member of the Board of Directors of Bourse Dubai, Vice Chairman of the Support Fund and Chairman of the Supervisory Board of Bosna Bank International. He has previously served as the Managing Director of the ICD and as a member of the Board of Directors and Chief Executive Officer for Dubai Bank.

Mr. Al Mheiri holds a Science degree, specialising in Accounting and Finance, from the American College of Switzerland.

#### **Mr. Hamad Mubarak Buamim**

In addition to his role on the Board, Buamim also serves as the Chairman of the National General Insurance PJSC and Board Member of Amanat PJSC. He is also the President & CEO of Dubai Chamber of Commerce & Industry and the Chairman of the Paris-based World Chambers Federation – International Chamber of Commerce (ICC).

In previous roles, Mr. Buamim served as the Chairman of Emirates Financial Services and the Chairman of Emirates NBD Capital. Mr. Buamim has also served as a Board member of a number of entities, including the Central Bank of UAE, Dubai International Financial Center (DIFC), Emirates NBD, Network International, Kerzner International Holding and Union Properties.

Mr. Buamim holds a Master of Business Administration (MBA) with honours in Finance from the University of Missouri, Kansas City, United States. He also obtained a Bachelor of Science in Electrical Engineering from the University of Southern California, Los Angeles.

#### **Mr. Abdulla Hamad Rahma Al Shamsi**

Mr. Al Shamsi serves as a member of the Board.

Mr. Al Shamsi has served as the Chairman of Dubai Properties Group (May 2012 until 2015) and has also been a member of the Board of Directors for Emirates Integrated Telecommunications Co. (March 2007 until March 2018). He was also the General Manager for United Arab Shipping Agencies Co. until 2014.

Previously, Mr. Al Shamsi served as the Chairman for Middle East Container Repair until 2013 and was a founding member and treasurer for the UAE Tennis Association until 2010.

Mr. Al Shamsi obtained a Bachelor of Science degree, Business and Public Administration with a major in Finance and Economics from New York University in 1981.

#### **Mr. Javier Marin Romano**

Mr. Marin was appointed to the Board in April 2016. He is an entrepreneur and an investor in technology companies linked to financial services. He also serves as a director in each of the UCV (Spanish University), Instituto per le Opere di Religione (IOR) and Frontier Economics. Prior to this, Mr. Marin served as Chief Executive Officer of Banco Santander, senior executive vice-president of Banco Santander and head of private banking, asset management and insurance. He has also been a member of the European Banking Association and the European Financial Services Association and of the Board of Directors in different banks, insurance companies and asset managers in several countries in Europe (affiliates of Banco Santander).

Mr. Marin holds a degree in Law and a diploma in Business Administration from the Universidad Pontificia de Comillas in Madrid (Spain). He also obtained masters degrees in European law in Luxembourg, in banking administration from the Institute International d'Etudes Bancaires (La Joya, California) and taxes from the Universidad Pontificia de Comillas (Madrid) and completed the advanced programme of Singularity University (California).

### **KEY SENIOR MANAGEMENT**

The following table sets out the names of the current senior management of DIB:

<b>Name</b>	<b>Position</b>
Mr. Abdulla Ali Obaid Al Hamli .....	Managing Director
Dr. Adnan Chilwan.....	Group Chief Executive Officer
Mr. Obaid Al Shamsi.....	Chief Operating Officer
Mr. Nasser Abdulla Al Awadhi.....	Chief of Consumer Banking
Mr. Naveed Ali.....	Chief of Corporate Banking
Mr. Mohammed Saleem .....	Chief of Treasury
Mr. Hamid Butt .....	Chief of Investment Banking
Mr. Nagaraj Ramakrishnan .....	Chief Credit Officer
Mr. Chandra Mohan Ganapathy .....	Group Chief Risk Officer
Mr. Salman Liaqat.....	Chief of Strategy & Investor Relations
Mr. Sanjay Malhotra.....	Chief Digital & Innovation Officer
Mr. John Macedo.....	Chief Financial Officer

Mr. Volkan Pekince..... Group Chief of Internal Audit

The address of each member of the senior management of DIB is P.O. Box 1080, Dubai, UAE. There are no potential conflicts of interest between the private interests or other duties of the senior management of DIB listed above and their duties to DIB.

Detailed below is brief biographical information on the senior management of DIB.

**Mr. Abdulla Ali Obaid Al Hamli**

Please see biographical information provided above for Mr. Al Hamli under "*—Board of Directors*".

**Dr. Adnan Chilwan**

Dr. Chilwan currently serves as the Group CEO of DIB.

Dr. Chilwan has an extensive career spanning nearly two decades with reputed conventional and Islamic banks in the region including DIB, Dubai Bank, Commercial Bank of Qatar, Mashreq Bank, Abu Dhabi Islamic Bank and HSBC. Dr. Chilwan represents DIB on the boards of various strategic investments, subsidiaries and associates. He holds the position of President Commissioner at PT Bank Panin Dubai Syariah TBK whilst also serving as the Chairman of DIB Bank Kenya. He is also currently a member of the board of each of Tamweel, Deyaar Development, Liquidity Management Centre Bahrain and Dar Al Sharia.

In 2019, Dr. Chilwan was ranked number 1 by Forbes Middle East in their list of "Top Indian Leaders Making An Impact In The Middle East" for 2019. Dr. Chilwan also received the "CEO Leadership Achievement Award 2019" from The Asian Banker. AsiaOne Magazine awarded him 'Global Indian of the Year 2018' in the Global Leadership Category (2017-2018) of the Pride of the Nation Series Awards and Business Summit in India.

Dr. Chilwan has a PhD and an MBA in Marketing. He is a Certified Islamic Banker (CeIB), a post graduate in Islamic Banking and Insurance and an Associate Fellow Member in the Islamic Finance Professionals Board.

**Mr. Obaid Al Shamsi**

Mr. Al Shamsi has served as the Chief Operating Officer at DIB since May 2019.

Mr. Al Shamsi has over 21 years of multi-functional experience within DIB. Prior to his appointment as the Chief Operating Officer, Mr. Al Shamsi was Chief of HR & Admin where he oversaw the strategy development and deployment of human resource and administration.

Mr. Al Shamsi also serves as a board member of each of Emirates Institute for Banking and Financial Studies, Al Bustan Centre & Residence, Tamweel, BoK, Al Tanmyah Services and DIB Pakistan.

He holds Master of Business Administration (MBA) degree from Middlesex University, United Kingdom.

**Mr. Nasser Abdulla Al Awadhi**

Mr. Al Awadhi has served as the Chief of Consumer Banking at DIB since March 2018.

Mr. Al Awadhi has over 24 years of multi-functional experience within DIB and its subsidiaries. Prior to his appointment as the Chief of Consumer Banking, Mr. Al Awadhi was the head of the Strategic Relations department at DIB. He has previously also held the roles of Chief Business Officer at Tamweel and Chief Executive Officer at Dubai Islamic Financial Services, a DIB subsidiary.

Mr. Al Awadhi is a UAE national and graduated from Al Ain University, UAE, with a BSc (Hons) in Public Administration and Accounting.

**Mr. Naveed Ali**

Mr. Ali has served as Chief of Corporate Banking at DIB since 2007.

Mr. Ali has more than 30 years of banking experience with both conventional and Islamic banks. Before joining DIB, Mr. Ali served in Bank of America in Pakistan and Mashreq Bank in Dubai, as Vice President in the Corporate Banking Group.

Mr. Ali holds a BSc degree.

**Mr. Mohammed Saleem**

Mr. Saleem has served as Chief of Treasury at DIB since July 2006.

Mr. Saleem has over 36 years of banking experience with both conventional and Islamic banks, including Standard Chartered Bank (Pakistan and UAE), Société Générale (Bangladesh and Pakistan) and Union National Bank (UAE). Before joining DIB, Mr. Saleem was Treasurer at Standard Chartered Bank (Pakistan).

Mr. Saleem also serves as a board member and Deputy Chairman on the Board of DIB Pakistan.

Mr. Saleem holds a degree in Commerce.

**Mr. Hamid Butt**

Mr. Hamid Butt has 40 years of experience in banking including 15 years within the GCC. Prior to DIB, Mr. Butt headed the Investment Banking division at Noor Bank.

Mr. Butt has also worked at Abu Dhabi Islamic Bank as the COO Wholesale Banking from 2012 to 2015 and as UAE Corporate Banking Head from 2015 to 2017. Prior to that, he was the Chief Risk Officer of International Bank of Qatar from 2011 to 2012. Mr. Butt spent over 27 years with Citibank including roles in its Fixed Income, Investment and Corporate Banking and Risk Management divisions.

Mr. Butt also served as Citibank's Regional Risk Head for the Gulf, Levant and Pakistan from 2000-2002.

**Mr. Nagaraj Ramakrishnan**

Mr. Ramakrishnan has served as Chief Credit Officer at DIB since April 2019.

Mr. Ramakrishnan has over 25 years of banking experience across various functions including business management, credit, risk policy and process and operations. Before joining DIB, Mr. Ramakrishnan was Senior Vice President Group Credit with Emirates NBD (UAE) and previously with Standard Chartered Bank in India and Malaysia.

Mr. Ramakrishnan holds a Bachelor's degree in Commerce and a Chartered Accountant qualification from India.

**Mr. Chandra Mohan Ganapathy**

Mr. Ganapathy has served as the Group Chief Risk Officer of DIB since August 2020 overseeing the various risk management functions across the Group.

Mr. Ganapathy has over 29 years of experience in financial services including 24 years in risk management. Before joining DIB, Mr. Ganapathy held the position of Group Head of Risk Management at Ahli United Bank BSC and Chief Risk Officer at International Bank of Qatar and Commercial Bank of Kuwait.

He holds the CFA Charter from the CFA Institute, Financial Risk Manager (FRM) and Professional Risk Manager (PRM) certifications from Global Association of Risk Professionals (GARP) and Professional Risk Managers International Association (PRMIA), respectively, and holds a Certificate in Quantitative Finance

(CQF) from Fitch Learning. He is also an Associate Chartered Accountant (ACA) with the Institute of Chartered Accountants in India.

#### **Mr. Salman Liaqat**

Mr. Liaqat has served as Chief of Strategy and Investor Relations at DIB since January 2016.

Mr. Liaqat worked with Standard Chartered Bank in their Regional Office for Middle East and South Asia based in the UAE and Standard Chartered Pakistan, holding senior positions including Head of Finance for Pakistan. Prior to his appointment as Chief of Strategy and Investor Relations in January 2016, Mr. Liaqat served as Head of Finance at DIB since September 2012 and Senior Vice President Finance prior to that. Mr. Liaqat has over 30 years of banking experience with both conventional and Islamic banks. Mr. Liaqat holds a Bachelor's degree in Commerce, is a qualified Chartered Accountant and Fellow Member of Institute of Chartered Accountants of Pakistan.

Mr. Liaqat serves as a board member of DIB Pakistan.

#### **Mr. Sanjay Malhotra**

Mr. Malhotra was appointed as Chief Digital & Innovation Officer in March 2018. Prior to this role, he was Chief of Consumer Banking for DIB from February 2015 to February 2018.

Mr. Malhotra holds a Master of Management, an integrated MBA (Finance) & Engineering Degree Program from Birla Institute of Technology & Science, BITS Pilani. During his 30 years' experience, he has worked in India and the Middle East with prominent banks, including Citibank, ANZ Grindlays, National Bank of Kuwait, Arab Bank and National Bank of Oman. These engagements covered consumer banking, wealth management, business banking, regional strategy, merger & transformation, digital, technology and compliance.

#### **Mr. John Macedo**

Mr. Macedo was appointed as Chief Financial Officer of DIB in January 2016. Before joining DIB, Mr. Macedo was Chief Financial Officer of Saudi Hollandi Bank (Saudi Arabia) for 8 years and Director – Finance of Standard Bank (South Africa) for 7 years.

Mr. Macedo holds an Executive MBA, a Bachelor of Accounts degree (Honors with distinction), Bachelor of Accounts (Certificate in the Theory of Accounting) with distinction and is a Professional Chartered Accountant of South Africa. He has more than 21 years of experience in the area of finance and audit.

#### **Mr. Volkan Pekince**

Mr. Volkan Pekince has 21 years of international professional experience in banks across various regions and jurisdictions. Prior to joining DIB, Mr. Volkan headed the Audit Department at National Commercial Bank in Saudi Arabia. Mr. Volkan also worked at HSBC – London from 2007 to 2015 and HSBC Turkey from 2003 to 2006.

Mr. Volkan holds a Bachelor Degree in Electrical & Electronics Engineering.

#### **Fatwa and Sharia Supervisory Board**

The Sharia Board comprises scholars of high repute with extensive experience of and exposure to law, economics and banking systems in various jurisdictions. The Sharia Board is appointed by DIB's shareholders at a general assembly meeting and its responsibilities include supervising the development of new and innovative Sharia-compliant products, issuing Fatwas (Sharia edicts) on any matter proposed to it by business units of the Group through Dar Al Sharia, ensuring through internal Sharia auditors that the transactions of the Group are carried out in compliance with the Fatwas issued by the Sharia Board, and providing guidance on any matter referred to it by DIB's management.

The Sharia Board works closely with the internal Sharia Control department as well as Dar Al Sharia (a DIB subsidiary established in 2007 and engaged in providing Islamic finance consultancy to the industry). Dar Al Sharia assists in developing new Sharia compliant products (including their structure, process and documentation), reviewing structure and documentation for sukuk, syndication and fund transactions, and obtaining ongoing guidance and approval from the Sharia Board. Dar Al Sharia is comprised of a number of highly qualified and experienced lawyers, bankers and Sharia scholars with expertise in Islamic banking and finance.

The Sharia Board submits an annual report to the General Assembly of DIB's shareholders and the Board summarising issues, if any, which have been referred to it, as well as its opinion on the Group's overall functioning during the fiscal year under review. The Sharia Board's annual report is included in the Group's annual audited financial statements.

The following table sets out the names of the current Sharia Board:

<b>Name</b>	<b>Position</b>
Dr. Mohamed Ali Elgari .....	Chairman
Dr. Muhammad Abdulrahim Sultan Al Olama .....	Member
Dr. Mohamad Akram Laldin .....	Member
Dr. Ibrahim Ali Al Mansoori .....	Member
Dr. Muhammad Qaseem .....	Member

Detailed below is brief biographical information on the members of the Fatwa and Sharia Supervisory Board.

#### **Professor Dr. Mohamed Ali Elgari**

Dr. Mohamed Ali Elgari is a Professor of Islamic Economics and the former Director of the Centre for Research in Islamic Economics at King Abdul Aziz University in Saudi Arabia. Dr. Elgari is the recipient of the Islamic Development Bank Prize in Islamic Banking and Finance and holds the KLIFF Islamic Finance Award for Most Outstanding Contribution to Islamic Finance (Individual).

He is a member of the editorial board of several academic publications in the field of Islamic Finance and Jurisprudence, among them Journal of the Jurisprudence Academy (of the IWL), Journal of Islamic Economic Studies (IDB), Journal of Islamic Economic (IAIE, London) and the advisory board of Harvard Series in Islamic Law, Harvard Law School.

Dr. Elgari is also an advisor to numerous Islamic financial institutions throughout the world and is notably on the Sharia board of the Dow Jones Islamic index as well as a member of the Islamic Fiqh Academy and the Islamic Accounting & Auditing Organisation for Islamic Financial Institution (AAOIFI).

Dr. Elgari holds a PhD in Economics from the University of California, USA.

#### **Sheikh Dr. Mohammad Abdul Rahim Sultan Al Olama**

Dr. Al Olama is a member of the Grand Islamic Scholars Body in Dubai, an Associate Professor of the School of Sharia at the United Arab Emirates University in Al Ain and an acknowledged expert in Islamic finance. Dr. Al Olama is also the head of the Fatwa Committee of the Zakat Funds in the UAE.

He currently serves on a number of Sharia boards representing Islamic financial institutions and takaful companies.

Dr. Al Olama has written extensively on modern Islamic finance and has presented numerous research papers at various international conferences.

Dr. Al Olama holds a PhD in Comparative Islamic Law from Umm Al Qurra University in Mecca, Saudi Arabia.



### **Prof. Dr. Mohamad Akram Laldin**

Prof. Dr. Mohamad Akram Laldin is currently the Executive Director of the International Sharia Research Academy for Islamic Finance. At present, he is a Member of Bank Negara Malaysia's Sharia Advisory Council (SAC), a Member of the Sharia Advisory Employees Provident Fund (EPF), a Member of HSBC Amanah's Global Sharia Advisory Board, a Member of the Yassar Limited (Dubai) Sharia Advisory Board, a Member of the EAB (London) Sharia Advisory Board, Chairman of the Islamic Advisory Board of HSBC Insurance Singapore, Sharia Advisor to ZI Syariah Advisory Malaysia, a Member of Sharia Advisory Council International Islamic Financial Market (IIFM), Bahrain, a Committee member of AAOIFI Sharia Standards, Bahrain and other Boards across the globe. He is also the Member of the Board of Studies of the Institute of Islamic Banking and Finance, IIUM.

Dr. Akram holds a B.A. Honours degree in Islamic Jurisprudence and Legislation from the University of Jordan, Amman, Jordan and a Ph.D. in Principles of Islamic Jurisprudence (Usul al-Fiqh) from the University of Edinburgh, Scotland, United Kingdom. He has presented many papers related to Islamic Banking and Finance and other Fiqh topics and has conducted many training sessions particularly on Islamic Banking and Finance for different sectors since 1999. He is also a prolific author of academic works specifically in the areas of Islamic Banking and Finance. He received the Zaki Badawi Award 2010 for Excellence in Sharia Advisory and Research. He has participated and presented papers in numerous local and international conferences.

### **Dr. Ibrahim Ali Al Mansoori**

Dr Ibrahim Ali Abdullah Al-Mansoori is a prominent Sharia scholar from the UAE with an active focus on the Islamic banking and finance industry. He is currently serving as Director of Sharjah Islamic Center for Economy & Finance Studies and is the Assistant Professor of Economy & Islamic Banks at the University of Sharjah.

Dr Al-Mansoori is currently serving as the Chairman of Internal Sharia Supervision Committee (ISSC) of Al Hilal Bank and a member of various ISSCs of Islamic financial institutions.

Dr Al-Mansoori holds a Ph.D. in Economics & Islamic Banking, as well as two Masters degrees in Economics & Islamic Banking and Pedagogical Psychology. He has authored various research papers on contemporary matters relating to Islamic Banking.

### **Dr. Muhammad Qaseem**

Dr. Qaseem holds a PhD (Islamic Studies) from the Faculty of Usul ud Dinis, University of Karachi. He has been a member of the Sharia boards of many other institutions. Dr. Qaseem has taught various courses for a number of B.A. and M.A. programmes of the International Islamic University, Islamabad.

Dr. Qaseem has produced many academic contributions, articles and literary and translation works.

### **EMPLOYEES (EXCLUDES OUTSOURCED STAFF)**

As at 31 December 2020, DIB had 1,761 employees compared to 1,726 employees as at 31 December 2019 and 1,763 employees as at 31 December 2018.

DIB places a significant focus in supporting the UAE's emiratization agenda that has a goal to increase UAE nationals working in the public and private sector by a factor of ten. DIB's emiratization ratio has grown over 45 years to make up almost half its total employees. As at 31 December 2020, the total number of Emiratis in DIB reached 890 compared to 685 Emiratis as at 31 December 2019 and 692 Emiratis as at 31 December 2018. DIB remains on track to meet the emiratization target set by the Central Bank, and is a strong believer in the fact that emiratization has had a positive impact on its growth and success, as well as the UAE's overall social and economic development.

## THE UNITED ARAB EMIRATES BANKING SECTOR AND REGULATIONS

### SUMMARY

Within the UAE as a whole, the financial and insurance activities sector was estimated to have contributed approximately 8.0 per cent. of real GDP in 2019, according to preliminary estimates published by the Federal Competitiveness and Statistics Authority.

The table below provides a statistical analysis of the UAE banking sector as at 31 December 2020, 31 December 2019, 31 December 2018 and 31 December 2017. Figures for 30 December 2020 are preliminary.

	As at 31 December			
	2020	2019	2018	2017
Total number of banks <sup>(1)</sup> .....	48	48	49	49
Total number of branches <sup>(1)</sup> .....	637	735	823	853
Total gross credit <sup>(2)</sup> (AED billion) .....	1,779	1,759	1,656	1,580
Total deposits (AED billion) .....	1,884	1,870	1,756	1,580
Total assets (AED billion).....	3,188	3,083	2,869	2,695

Notes:

- (1) Excluding wholesale foreign banks, of which there were 10 as at 31 December 2020, and 11 as at 31 December in each of 2019 and 2018 and 12 as at 31 December 2017.
- (2) Extended to residents and non-residents. Excludes interest in suspense.

Source: Central Bank

### THE CENTRAL BANK

The Central Bank, established in 1980, is the governing body that regulates and supervises all banks operating in the UAE. Federal Law No. 14 of 2018 (the **2018 Law**) empowers the Central Bank to license and regulate banks and non-banking financial institutions under the law's objective of safeguarding the stability of financial system in the UAE. The other objectives set out in the 2018 Law are maintaining stability of the dirham and prudently managing the Central Bank's foreign reserves.

The 2018 Law also grants the Central Bank a range of powers, including powers to:

- issue currency and conduct monetary policy;
- organise and license financial institution, including the power to penalise violations of law or regulation;
- monitor credit conditions to achieve balanced growth of the economy;
- maintain a minimum cover ratio of foreign currency assets (at least 70 per cent. of the monetary base) to safeguard the credibility of the fixed currency peg; and
- regulate and maintain the soundness of the systemically important financial infrastructure systems, including electronic payment systems, digital currency, and stored value facilities.

The Central Bank is also empowered to determine any measures and actions necessary for the protection of financial institutions and their depositors in order to minimise the effect that a deficiency in their financial position may have on the financial system as a whole.

The Central Bank and the Ministry of Finance, in coordination with the finance departments of individual emirates, are also requested to establish a mechanism for coordination and data sharing to ensure a consistent fiscal stance to counter unexpected external shocks in order to achieve the UAE's target for real annual non-oil GDP growth.

## **SUPERVISION OF BANKS IN THE UAE**

The Central Bank's supervisory objective, consistent with the Basel Committee for Banking Supervision's core principles for effective banking supervision, is to promote the safety and soundness of licensed institutions as well as the banking and financial market. In so doing, the Central Bank aims to protect the rights of depositors, promote transparency and fair dealing by financial institutions in relation to their customers and counterparties and ensure effective market discipline.

Using a risk-based supervision approach, the Central Bank assesses the risk management policies and practices used by licensed institutions to control, reduce and mitigate risk. Risk-based supervision focuses the level of supervisory attention on those risk areas that pose the greatest risk to the banks' safety and soundness. It also supports the Central Bank in achieving its regulatory objectives, while taking into account the need to employ its resources in the most efficient and effective manner.

Through a mix of on-site and off-site supervision, the Central Bank seeks to evaluate the condition of licensed institutions, their risk profile, their risk management processes, their internal control environment and the corrective measures necessary to address any supervisory concerns. The specific mix between on-site and off-site supervision is determined by the condition of the licensed institution, the quality of the prudential data reported for off-site supervision and the significance of the institution to the financial stability of the banking and financial market. As the maturity of the management and quality in reporting of the licensed institutions increases, the Central Bank aims to place increased reliance on off-site monitoring, although the overall supervision strategy is set for each individual licensed institution based on its complexity, risk profile and potential impact on the safety and soundness of the financial system as well as any impact on the supervisory objectives.

The Central Bank is also tasked with sponsoring anti-money laundering activities in the UAE. The UAE financial intelligence unit, known as the Financial Intelligence Department, is located within the Central Bank and the Governor of the Central Bank is also the chairman of the National Anti-Money Laundering and Combating Financing of Terrorism Committee in the UAE. AML/CTF legislation in the UAE was amended in November 2018 and the Central Bank enhanced the risk-based AML/CTF supervision of banks, exchange houses and other relevant entities and is increasing its efforts to ensure licensed financial institutions desist from dealing with sanctioned individuals and monitor and report execution of suspicious transactions.

In July 2019, the UAE undertook the second round of mutual evaluation of its AML/CFT Framework with a joint team of assessors from the Financial Action Task Force and the Middle East and North Africa Financial Action Task Force. The UAE ranks 21 on Transparency International's Corruption Perceptions Index 2020, which ranks 179 countries in terms of their perceived level of public sector corruption. In early 2019, the UAE authorities finalised a national risk assessment shared with key stakeholders, and conducted outreach programmes. The output of the national risk assessment was embedded in the Central Bank's risk-based supervisory approach.

## **STRUCTURE OF THE BANKING SYSTEM**

Banking institutions in the UAE fall into a number of categories. The main categories are (i) domestic commercial banks (which category excludes investment banks), also known as national banks, of which there were 21 as at 31 December 2020 and (ii) licensed foreign commercial banks (which category excludes wholesale foreign banks), of which there were 27 as at 31 December 2020.

"Financial institutions" (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities but are not permitted to accept funds in the form of deposits), investment banks (institutions which may not accept deposits with maturities of less than two years but which may borrow from their head office or other banks and the financial markets) and financial and monetary intermediaries (money and stock brokers) may also be licensed to operate within the UAE.

## **CHARACTERISTICS OF THE BANKING SYSTEM**

### **Limited progress towards consolidation**

The UAE may be, and has historically been, seen as being over-banked with 48 banks (comprising 21 locally incorporated banks and 27 foreign banks (excluding 10 foreign wholesale banks)) licensed to operate inside the UAE as at 31 December 2020 (source: the Central Bank), serving a population estimated to be in the region of approximately 9.5 million people at the end of 2019 (source: Federal Competitiveness and Statistics Authority). Traditionally there has been little impetus for consolidation. However, mergers in the past have tended to come as a result of banks facing financial difficulties. The federal structure of the country has, to some extent, encouraged the fragmented nature of the banking sector, with the individual Emirates wishing to retain their own national banks. Rivalries between large local business families and a desire not to dilute shareholdings have also hampered the process of consolidation. As a result, between the October 2007 merger of the Emirates Bank International P.J.S.C. and National Bank of Dubai P.J.S.C., and the April 2017 merger between National Bank of Abu Dhabi P.J.S.C. and First Gulf Bank P.J.S.C. there was limited merger activity domestically in the sector. In May 2019, there was a three-way merger between Abu Dhabi Commercial Bank PJSC, Al Hilal Bank P.J.S.C. and Union National Bank P.J.S.C. and, in January 2020, DIB completed its acquisition of Noor Bank.

If consolidation continues it may reduce the level of concentration in the domestic banking sector and lead to a significant alteration of the competitive environment with fewer, larger locally incorporated banks competing for the larger financing transactions in the region with the foreign banks, which have tended to have comparatively larger franchises, with greater infrastructure and resources with which to absorb capital costs, such as information technology system development.

In addition, the advent of WTO liberalisation should allow greater competition from foreign banks, both from new entrants to the market and from existing players expanding their operations, which may eventually result in more mergers, possibly even creating banks with pan-Gulf franchises.

### **Domestic focus**

The UAE incorporated banks are predominantly focused on the domestic market but a number have small operations overseas and are showing growing interest in cross-border business, a trend which is likely to continue in the event of further merger activity in the sector. With a large number of banks competing for a limited number of wholesale lending opportunities, most banks have turned to retail banking, a previously untapped market. However, increasing competition in this area is gradually eroding margins and encouraging a relaxation of lending criteria. As the market has been tested only to a limited extent under adverse conditions, it is difficult to predict the future likelihood of asset quality problems.

Expansion of retail operations has required heavy investment in distribution channels, particularly ATM networks, kiosks and telephone and Internet banking services. As a consequence, IT and premises costs have been a prominent feature of many banks' expenses in addition to employee costs.

### **Limited foreign ownership**

In 1987, the UAE federal government placed a freeze on new foreign banks opening operations in the UAE. At the same time, existing foreign banks were limited to a maximum of eight branches, which restricted their ability to develop any retail potential. However, three banks of GCC state origin, National Bank of Kuwait, SAMBA and Doha Bank, were awarded licences by the Central Bank following an agreement to allow market access to banks of GCC state origin in line with continuing efforts in regional integration.

The opening of the DIFC has enabled international banks to establish a presence and compete in the wholesale banking market and this has seen new entities entering the market place.

## **Exposure to the oil sector**

With much of the economy directly or indirectly dependent on the oil sector, UAE banks are potentially vulnerable to business erosion during long periods of low oil prices. In particular, oil revenues tend to drive levels of liquidity and government infrastructure investment. Gradually, however, private non-oil sectors are gaining ground and the UAE economy is becoming less susceptible to oil price movements.

## **Islamic banking**

Sharia law forbids the charging of interest on any financial transaction. A number of banks, including DIB, have developed in the Islamic world to serve customers who wish to observe this principle. These institutions offer a range of products which, whilst broadly corresponding with conventional banking transactions, are structured in a way which avoids the application of interest.

The UAE is home to numerous institutions offering Islamic banking and financial products. Such institutions include DIB, Abu Dhabi Islamic Bank, Emirates Islamic Bank, Al Hilal Bank, Sharjah Islamic Bank, Ajman Bank, Dubai Islamic Insurance & Reinsurance Company (AMAN), Islamic Arab Insurance Co., Tamweel and Amlak Finance. The number of Islamic finance institutions continues to rise, with both new entrants to the market and existing conventional banks recasting themselves as Islamic banks. In addition, conventional financial institutions often offer Sharia-compliant products.

## **Legal environment**

There are three primary sources of law in the UAE: federal laws and decrees, local laws and Sharia law. In addition, Emiri decrees can be issued by the Rulers of each of the Emirates which, when issued, have full legal effect and operation in such Emirate. The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler of a given Emirate or local government will apply his or its own rules, regulations and practices.

## **Lack of developed capital markets**

The absence of mature bond or equity markets in the UAE means that banks have often shouldered the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets, the Dubai Financial Market and the Abu Dhabi Securities Exchange (both of which were established in 2000), have grown rapidly over recent years and have benefitted from the inclusion of the UAE in the MSCI Emerging Markets Index in 2014, they continue to experience bouts of volatility.

During 2002, the Government of Dubai issued a decree establishing the DIFC. The DIFC, located in Dubai, is a free trade zone and financial services centre focusing on private banking, asset management, investment banking, re-insurance activities, Islamic finance, securities trading and back office operations. The DIFC has its own civil and commercial laws and has been granted authority to self-legislate in civil and commercial cases. Nasdaq Dubai (formerly known as the Dubai International Financial Exchange) is a securities exchange located in the DIFC which commenced operations on 26 September 2005. In May 2011, the DFM acquired two thirds of the shares in Nasdaq Dubai, in accordance with plans announced in December 2009 to consolidate markets. The two markets linked their platforms in July 2010, through the outsourcing by Nasdaq Dubai of its trading, clearing, settlement and custody functions for equities to DFM's systems. Responsibility for maintaining Nasdaq Dubai's Official List was transferred to the Dubai Financial Services Authority with effect from 1 October 2011.

## **Government involvement**

Most of the larger banks in the UAE have some degree of government ownership. Privatisation, though advocated in principle, has been slow to happen in practice. The state and its related entities are also the banking sector's largest customer, in terms of both deposits and project financing.

## **Expatriate workforce**

The UAE economy is reliant on overseas labour. The banking sector is no exception to this and expatriates are employed in the senior management of most of the major banks. This has brought expertise from more developed markets to the sector. However, to ensure increased representation of Emiratis in the UAE financial sector (overall as well as in critical roles) and to support their professional development, the Central Bank has introduced a point-based scoring system as part of its Emiratisation policy, which takes into account the employment and progression of Emirati employees in the organisation. The minimum threshold for Emirati employees for each institution is dependent on a number of factors. The Emiratisation Circular does not set any upper limit at which the policy would no longer be applicable. If UAE banks are not able to achieve their targets for recruiting and progressing UAE nationals through their organisation, they will be subject to penalties which are computed in accordance with a specific formula set out in the Emiratisation Circular.

## **Accounting standards**

All UAE banks are required to prepare their financial statements in accordance with IFRS.

## **Shari'a compliance**

Islamic banking regulations requires financial institutions licensed by the Central Bank to operate their business activities in compliance with the rules, standards and general principles established by the Higher Shari'a Authority and, in certain circumstances, requires such financial institutions to obtain the consent of the Higher Shari'a Authority before undertaking certain licensed financial activities.

## **RECENT TRENDS IN BANKING**

### **Liquidity**

The Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have adequate systems and controls to manage their liquidity positions, as well as contingency plans to cope with periods of liquidity stress. Banks must also adhere to a maximum loan to deposit ratio of 100 per cent. set by the Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after six months.

Most UAE banks are funded through on demand, time or savings customer deposits made by private individuals or UAE non-governmental entities. Based on Central Bank data, these deposits together constituted 63 per cent. of total domestic deposits (excluding commercial prepayments and borrowings under repurchase agreements) of the national banks in the UAE banking sector at 30 June 2020. Government deposits contributed 20 per cent. of the total domestic (excluding commercial prepayments and borrowings under repurchase agreements) deposits of the national banks in the UAE banking sector at 30 June 2020.

There is currently no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number of banks were restructured by the authorities and, in May 2011, Dubai Bank was taken over by the Government of Dubai. In response to the global financial crisis, both the Central Bank and the UAE federal government provided assistance to UAE banks and further assistance has been announced in response to the COVID-19 pandemic, see "- COVID-19" below.

In line with Basel III requirements, the Central Bank issued Central Bank Notice No. 33/2015 on liquidity requirements on 27 May 2015, which entered into force in the UAE on 1 July 2015 (replacing Central Bank Notice No. 30/2012) (the **Liquidity Notice**). The Liquidity Notice includes a set of qualitative, quantitative and reporting requirements for UAE banks on liquidity risk management. The qualitative requirements set out elaborate on the responsibilities of a UAE bank's board of directors and senior management as well as the overall liquidity risk framework. The new regulations are intended to ensure that liquidity risks are well

managed at banks operating in the UAE and are in line with Basel Committee recommendations and international best practices. These requirements include the following:

*Responsibilities of the board of directors:*

- to bear ultimate responsibility for liquidity risk management within the relevant UAE bank;
- to be familiar with liquidity risk management with at least one board member having detailed understanding of liquidity risk management; and
- to ensure the clear articulation of liquidity risk tolerance in line with the relevant UAE bank's objectives, strategy and risk appetite.

*Responsibilities of senior management:*

- to develop strategies, policies and practices to manage liquidity risk in accordance with the liquidity risk tolerance set by the Board;
- to review the UAE bank's strategy and to report to the Board on regulatory compliance on a regular basis; and
- to manage liquidity risk in a prudent manner using all available liquidity risk management tools.

*Liquidity risk framework:*

The Liquidity Notice requires each UAE bank to have a robust liquidity risk framework which comprises the following elements:

- sound processes and systems to identify, measure, monitor and control liquidity risk in a timely and accurate manner;
- a robust liquidity risk management framework (which must be shared with the Central Bank upon request) with limits, warning indicators, communication and escalation procedures;
- regular internal stress testing of the portfolio for a variety of scenarios (both institution specific and market-wide), results being communicated to the Board and the Central Bank on request;
- incorporation of liquidity costs, benefits and risks into product pricing and approval processes;
- establishment of a forward-looking funding strategy with effective diversification of funding sources and tenors;
- setting of formal contingency funding plans which clearly set out strategies for addressing liquidity shortfalls in emergency situations (and which must be shared with the Central Bank upon request);
- establishment of an adequate cushion of unencumbered, highly liquid assets as insurance against a range of liquidity stress scenarios; and
- a transfer pricing framework (which is commensurate with the bank's liquidity risk tolerance and complexity) developed to reflect the actual cost of funding.

The quantitative requirements set out in the Liquidity Notice are intended to ensure that each UAE bank holds a minimum level of liquid assets which allow it to sustain a short-term liquidity stress (in circumstances both specific to that bank and market wide). The requirements included two interim ratios which applied until the Basel III LCR and NSFR came into effect:

	<b>Ratio</b>	<b>Applicability Period</b>
Interim ratios:	Eligible Liquid Assets Ratio (ELAR $\geq 10\%$ )	1 July 2015 until LCR implementation for approved banks
	Advances to Stable Resources Ratio (ASRR $< 100\%$ )	30 September 1986 until NSFR implementation for approved banks
Basel III ratios:	Liquidity Coverage Ratio (LCR $> 100\%$ )	Effective transition from 1 January 2016 for approved banks
	Net Stable Funding Ratio (NSFR $< 100\%$ )	Effective January 2018 for approved banks

DIB measures its risk using the Basel III ratios.

The LCR represents a 30 day stress scenario with combined assumptions covering both bank specific and market wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30 day stress scenario. The LCR requires that banks should always be able to cover the net cash outflow with eligible high quality liquid assets at the minimum LCR determined by the Central Bank. The Basel III accord requires that this minimum is 100 per cent. The Liquidity Notice describes in detail eligible liquid assets for this purpose. As noted under "- COVID-19" below, as part of the TESS, banks that are subject to the LCR are able to fall below the regulatory LCR requirement of 100 per cent. provided that their LCR is higher than or equal to 70 per cent.

The Net Stable Funding Ratio (**NSFR**) is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. The NSFR also requires an amount of stable funding to cover a portion of the relevant bank's contingent liabilities. The NSFR mirrors the Basel III NSFR standard. The NSFR identifies the key uses of funds and the different types of funding sources used by the UAE banks. It assigns available stable funding (**ASF**) factors to the sources of funds and required stable funding (**RSF**) (usage) factors to asset classes and off balance sheet contingent exposures. The assigned ASF factor depends on the terms of funding and the perceived stability of the funding sources. The assigned RSF factor depends on the liquidity and tenor of the asset being funded. Both factors follow the Basel III NSFR standard.

### **Interim marginal lending facility (IMLF)**

On 15 April 2014, the Central Bank introduced the IMLF which allows non-Islamic UAE banks to use certain rated or UAE federal government entity-issued assets to access Central Bank liquidity overnight in order to help their liquidity management during times of market stress.

The IMLF lets lenders use certain assets as collateral to obtain one-day overnight loans from the Central Bank. Eligible assets that can be used as collateral must be tradeable and include bonds, sukuk and securities issued by the UAE federal government or government-related entities in individual Emirates, as well as by UAE banks and corporations. Securities issued by foreign governments, banks, corporates and supranational agencies can also be used as collateral, but must carry a minimum 'A' credit rating from one of the three main international rating agencies. Banks accessing the IMLF must borrow a minimum of AED 10 million and will be charged 100 basis points over the official UAE "Repo Rate".



## Capital adequacy

As part of the introduction of Basel III in the UAE (see further below), and pursuant to the February 2017 Regulations and the Accompanying Standards (each as defined below), banks in the UAE are required by the Central Bank to maintain a minimum CET 1 ratio of 10 per cent. and a total capital adequacy ratio of 13.5 per cent. (in each case including the buffers referred to below). The buffers referred to above are (i) a domestic systemically important bank buffer (**D-SIBB**) of 0.50 per cent. for banks, such as DIB, which are determined to be domestic systemically important banks and (ii) a capital conservation buffer of 2.5 per cent. In addition, the CCyB must be maintained at a level determined by the Central Bank between 0 – 2.5 per cent. of risk weighted assets.

As noted under "- COVID-19", as part of the TESS, banks are able to utilise 100 per cent. of their D-SIBB and 60 per cent. of their capital conservation buffer without supervisory consequences until 31 December 2021. In addition, the Central Bank will allow banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter will allow any increase in IFRS 9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five year period until 31 December 2024. Furthermore, the planned implementation of certain Basel III capital requirements has been postponed until 31 March 2021.

Whilst the calculation of capital adequacy ratios in the UAE follows the Bank of International Settlements guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent. and claims on GCC government non-commercial public sector entities are risk-weighted at 100 per cent. Under the 2018 Federal Law, the Central Bank may determine reserve requirements for UAE banks. All dividends paid by UAE banks have to be authorised in advance by the Central Bank.

The Basel Committee put forward a number of fundamental reforms to the regulatory capital framework for internationally active banks. On 16 December 2010 and on 13 January 2011, the Basel Committee issued the Basel III reforms, constituting guidance on the eligibility criteria for Tier I and Tier II capital instruments as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. The implementation of the Basel III reforms began on 1 January 2013. However, the requirements are subject to a series of transitional arrangements and will be phased in over a period of time. The Basel Committee's press release dated 13 January 2011 entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" (the **January 2011 Press Release**) included an additional Basel III requirement (the **Non-Viability Requirement**) as follows:

"The terms and conditions of all non-common Tier I and Tier II instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

- (i) the governing jurisdiction of the bank has in place laws that:
  - (a) require such Tier I and Tier II instruments to be written off upon such event; or
  - (b) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;
- (ii) a peer group review confirms that the jurisdiction conforms with clause (i); and
- (iii) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (i).

The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority."

The January 2011 Press Release states that instruments issued after 1 January 2013 must meet the Non-Viability Requirement in order to be recognised as Tier I or Tier II instruments for regulatory capital purposes. The recognition of instruments issued before 1 January 2013 which do not meet these requirements will be phased out from 1 January 2013.

The Basel III Regulations and the Accompanying Standards confirm that the Non-Viability Requirement is a pre-requisite for any capital instruments issued by UAE banks to achieve Regulatory Capital classification from the Central Bank. The Non-Viability Requirement must be provided for contractually in the absence of a statutory loss absorption framework in the UAE as at the date of this Prospectus.

In May 2016, the Central Bank published a draft consultation document entitled "Capital Adequacy Regulation" (the **Consultation Document**), detailing the Basel III requirements expected to be followed by banks operating in the UAE, once the applicable legislation has been implemented in the UAE. In particular, the Consultation Document outlines the general quantitative requirements expected to be followed by UAE banks, with regards to Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital (together, **Regulatory Capital**). It also outlines, amongst other things, the Regulatory Capital ratios that UAE banks will be expected to follow and adhere to, the individual UAE bank minimum capital conservation standards and the required disclosure standards expected to be made available by UAE banks with respect to Regulatory Capital.

On 23 February 2017, Central Bank published the "Regulations re Capital Adequacy" (the **Basel III Regulations**) in the Official Gazette issue 612, which were effective from 1 February 2017. The February 2017 Regulations are intended to ensure that the capital adequacy of all banks operating in the UAE is in line with the Basel III requirements, whilst implementing the measures contained in the Consultation Document. The Basel III Regulations are supported by the accompanying standards entitled "Standards for Capital Adequacy of Banks in the UAE" which were published by the Central Bank on 12 November 2020 by virtue of Notice No. CBUAE/BSN/N/2020/4980 (the **Accompanying Standards**). The Accompanying Standards elaborate on the supervisory expectations of the Central Bank with respect to the relevant Basel III capital adequacy requirements. Banks which are classified as domestic systemically important banks by the Central Bank will be required to hold additional capital buffers as notified to it by the Central Bank. In addition, a bank may also be subject to additional capital add-on requirements following a supervisory review and evaluation process of the Central Bank.

### **Reserve requirements**

Reserve requirements are used by the Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements set a mandatory cash reserve of 14 per cent. of all current, call and savings deposits and 1 per cent. of all time deposits, respectively, based on balances calculated on the 15th of each month. As noted under "- COVID-19" below, as part of the Central Bank's stimulus package in response to COVID-19, the minimum reserve requirement for all current, call and savings deposits has been decreased from 14 per cent. to 7 per cent.

### **Credit controls**

Banks in the UAE are required by the Central Bank to establish credit policies and procedures commensurate with their size and activities. They must also have a proper credit assessment and approval process and adequate controls in place to monitor credit concentrations to, among others, individual borrowers, economic sectors and foreign countries.

The Central Bank circular dated 23 February 2011 (the **Retail Circular**) on retail banking and Notice No. 31/2013 dated 28 October 2013 (which was published in the Official Gazette on 28 November 2013 and entered into force on 28 December 2013) (the **Mortgage Regulations**), introduced regulations regarding bank loans and other services offered to individual customers. These regulations, among other things, impose maximum loan/income and loan to value ratios for retail products. For example, the regulations require that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower with the repayment period not exceeding 48 months. Additionally, the Mortgage Regulations

specify that the amount of mortgage loans for non-UAE nationals should not exceed 75 per cent. of the property value for a first purchase of a home (with a value of less than or equal to AED 5 million), 65 per cent. of the property value for a first purchase of a home (with a value greater than AED 5 million) and 60 per cent. of the property value (irrespective of the value of the property) for second and subsequent homes. For UAE nationals, the corresponding limits are set at 80 per cent. in respect of a first purchase of a home with a value less than or equal to AED 5 million, 70 per cent. for a first home with a value greater than AED 5 million and 65 per cent. of the property value for a second or subsequent purchase (irrespective of the value of the property).

## Large exposures

The Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collaterals and deposits under lien) to a single borrower or group of related borrowers exceeding prescribed limits.

On 17 November 2013, the Central Bank published a circular (the **2013 Large Exposures Limits Circular**) amending certain large exposure limits. The 2013 Large Exposure Limits Circular introduced limits of 100 per cent. of a bank's capital base for all lending to UAE local governments and their non-commercial entities, together with a 25 per cent. limit to any single such non-commercial entity. Exposures above these limits are subject to approval by the Central Bank.

Set out below is a table showing a summary of the changes introduced by the 2013 Large Exposure Limits Circular (defined as a percentage of the bank's capital base calculated under Basel II):

	New Limit		Old Limit	
	Individual	Aggregate	Individual	Aggregate
	<i>(percentage)</i>			
UAE federal government and their non-commercial entities.....	N/A	N/A	Exempt	Exempt
UAE local government.....	N/A	100	Exempt	Exempt
UAE local government non-commercial entities.....	25	100	Exempt	Exempt
Commercial entities of federal government and UAE local governments.....	25	100	25	None
Single borrowers or a group of related borrowers	25	N/A	7	N/A
Shareholders who own 5 per cent. or more of the bank's capital and related entities.....	20	50	7	None
Exposure to bank's subsidiaries and affiliates.....	10	25	20	60
Board members.....	5	25	5	25

## Provisions for loan losses

For UAE banks, IFRS 9 was introduced for financial reporting periods commencing on 1 January 2018, replacing IAS 39 and introducing an ECL model for the measurement of the impairment of financial assets, such that it is no longer necessary for a credit event to have occurred before a credit loss is recognised. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. IFRS 9 provision uses a three stage approach in recognising increased credit risk at each stage of risk (i.e., stage 1 for current facilities, stage 2 for significant increase in credit risk and stage 3 for impaired loans).

On 27 March 2020, the IASB issued a guidance note, advising that both the assessment of a significant increase in credit risk and the measurement of ECLs are required to be based on reasonable and supportable information that is available to an entity without undue cost or effort. In assessing forecast conditions, consideration should be given both to the effects of COVID-19 and the significant government support measures being undertaken.

As noted under "- COVID-19" below, the IFRS 9 staging and classification of loans of customers that are stage 1 and are receiving relief is expected to remain unchanged during the period of the scheme and not

downgraded. In addition, a part of the Central Bank's stimulus package in response to COVID-19, banks are able to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter will allow any increase in IFRS 9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five year period until 31 December 2024.

## **Risk management**

In June 2018, the Central Bank published its "Risk Management Regulation" and "Risk Management Standards" for UAE banks. The purpose of these regulations and standards is to establish a prudential framework for risk management in banks and to strengthen risk management across the banking sector. The areas covered by these standards are (a) risk management function, (b) risk measurement and use of models, (c) stress testing, (d) information systems, (e) strategic and operational decisions, (f) group risk management, (g) disclosures, and (h) Islamic banking. For details of DIB's implementation of these regulations and standards, see "*Risk Management – Change in Risk Management Regulation*".

## **ESTABLISHING A CREDIT BUREAU IN THE UAE**

Al Etihad Credit Bureau (AECB) is a federal government organisation specialised in providing UAE-based credit reports and other financial information. AECB commenced operations in 2014 upon receiving formal approval from the UAE Cabinet of its regulations and its charges for producing credit reports. AECB has approached all UAE-based banks to sign data sharing agreements to enable the provision of customer credit information, with the majority having entered into such agreements (as DIB has done) and/or made successful initial data submissions to AECB by the time AECB commenced operations. The implementation of regulations for the sharing of credit report data and the commercial operation of the UAE's first credit bureau is expected to reduce the risk involved in the origination of customer lending and banking business generally.

## **COVID-19**

In response to the COVID-19 outbreak (see "*Risk Factors – Risks relating to Group – The Group's business, financial condition, results of operations and prospects are and will continue to be affected by economic conditions and the impact of COVID-19 on the UAE's economy is likely to materially adversely impact the Group*"), effective from 15 March 2020, the Central Bank has implemented the Targeted Economic Support Scheme (TESS), which includes a range of measures aimed at mitigating the economic effects of COVID-19 on the UAE economy. The TESS and other accompanying stimulus measures include (in addition to cutting interest rates as discussed in the risk factor referenced above):

### **TESS**

- allowing banks operating in the UAE access to liquidity, against collateral, extended at zero cost by the Central Bank until 31 December 2020, the proceeds of which are to be used by UAE banks to grant temporary relief to private sector corporate customers and retail clients;
- whilst keeping the existing 2.50 per cent. capital conservation buffer and the D-SIBB in place, allowing banks to utilise 60 per cent. of their capital conservation buffer and 100 per cent. of their D-SIBB without supervisory consequences until 31 December 2021, subject to having fully utilised the limit available under the zero cost facility of the TESS described above;
- allowing banks that are subject to the LCR to fall below the regulatory LCR requirement of 100 per cent., provided that their LCR is higher than or equal to 70 per cent., while other banks that are subject to the ELAR are able to fall below the regulatory ELAR requirement of 10 per cent., provided that their ELAR is higher than or equal to 7 per cent., with such changes to the LCR and ELAR applicable until 31 December 2021, subject to having fully utilised the limit available under the zero cost facility of TESS described above;

- allowing banks that are subject to NSFR to fall below the regulatory NSFR requirement of 100 per cent., provided that their NSFR is higher than or equal to 90 per cent., while other banks are allowed to go above the regulatory ASRR requirement of 100 per cent., provided that their ASRR is lower than or equal to 110 per cent., with such changes to the NSFR and ASRR being applicable until 31 December 2021 for all banks operating in the UAE; and
- expecting banks to leave unchanged and not downgrade the IFRS 9 staging and classification of customers who are receiving temporary relief linked to the TESS and are temporarily and mildly impacted by COVID-19, thereby having no significant impact on their creditworthiness. In the case of customers who are receiving temporary relief linked to the TESS but are expected to be significantly impacted by COVID-19 in the long-term, thereby having a significant impact on their creditworthiness, expecting banks to downgrade such customers to either stage two or stage three in accordance with IFRS 9.

***Further measures to support the UAE economy in response to COVID-19***

- decreasing the Central Bank's minimum regulatory cash reserve requirement for all current, call and savings deposits from 14 per cent. to 7 per cent.;
- postponing the planned implementation of certain Basel III capital requirements until 31 March 2021; and
- allowing banks to apply a prudential filter to IFRS 9 expected credit loss provisions. The prudential filter will allow any increase in IFRS 9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five year period until 31 December 2024.

## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection and/or collection by Certificateholders at the specified office of the Principal Paying Agent (as defined in the Conditions).*

### **Declaration of Trust**

The Declaration of Trust will be entered into on 19 April 2021 between DIB, the Trustee and the Delegate and will be governed by English law.

Pursuant to the Declaration of Trust, the Trustee will declare a trust for the benefit of the Certificateholders over the Trust Assets.

The Trust Assets will comprise (i) the cash proceeds of the issuance of the Certificates pending application thereof in accordance with the terms of the Transaction Documents; (ii) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets; (iii) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by DIB (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee pursuant to clause 12.1 of the Declaration of Trust); and (iv) all amounts standing to the credit of the Transaction Account from time to time, and all proceeds of the foregoing.

The Declaration of Trust shall provide that the rights of recourse in respect of Certificates shall be limited to the amounts from time to time available therefor from the Trust Assets, subject to the priority of payments set out in Condition 5.3. After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) or any other person to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished.

Pursuant to the Declaration of Trust, the Trustee will, *inter alia*:

- (a) hold the Trust Assets on trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the provisions of the Declaration of Trust and the Conditions; and
- (b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust and the Conditions.

In the Declaration of Trust, the Trustee shall irrevocably and unconditionally appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deed, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including but not limited to the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the relevant provisions of the Declaration of Trust that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or a Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, exercise all of the rights of the Trustee under the Mudaraba Agreement and any of the other Transaction Documents and make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the provisions of the Declaration of Trust and the Conditions. The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and, subject to certain provisions of the Declaration of Trust, shall not affect the Trustee's continuing role and obligations as trustee.

Pursuant to the Declaration of Trust:

- (a) if a DIB Event occurs and a Dissolution Notice is delivered by the Delegate to the Trustee, the Delegate may at its discretion, or shall, if so requested in writing by Certificateholders holding at least 20 per cent. of the aggregate face amount of the Certificates then outstanding, in each case subject to Condition 12.3(e)(i) take one or more of the following steps: (i) institute any steps, actions or proceedings for the winding-up of DIB and/or (ii) prove in the winding-up of DIB and/or (iii) institute steps, actions or proceedings for the bankruptcy of DIB; and/or (iv) claim in the liquidation of DIB and/or (v) take such other steps, actions or proceedings which, under the laws of the UAE, have an analogous effect to the actions referred to (i) to (iv) above, in each case for (subject to the provisos contained in Condition 12.3(a), all amounts of Mudaraba Capital, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit and/or other amounts due to the Trustee on termination of the Mudaraba Agreement in accordance with its terms and the terms of the other Transaction Documents); and
- (b) without prejudice to Conditions 12.1, 12.3 and the provisions of clause 17 of the Declaration of Trust, the Trustee (or the Delegate) may at its discretion or the Delegate shall if so requested in writing by Certificateholders holding at least 20 per cent. of the aggregate face amount of the Certificates then outstanding and without further notice (subject in each case to Condition 12.3(e)(i)) institute such steps, actions or proceedings against DIB, and the Delegate may at its discretion and without further notice institute such steps, actions or proceedings against the Trustee, as it may think fit to enforce any term or condition binding on DIB or the Trustee (as the case may be) under the Transaction Documents (other than any payment obligation of DIB under or arising from the Transaction Documents, including, without limitation, payment of any principal or satisfaction of any payments in respect of the Transaction Documents, including any damages awarded for breach of any obligations) including, without limitation, any failure by DIB to procure the substitution of the Trustee in the circumstances described in Condition 12.2, and in no event shall DIB, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it in accordance with the Transaction Documents.

A Transaction Account will be established in London in the name of the Trustee. Monies received in the Transaction Account will, *inter alia*, comprise payments of amounts due to the Trustee under the Mudaraba Agreement immediately prior to each Periodic Distribution Date (see "*Summary of the Principal Transaction Documents – Mudaraba Agreement*" below). The Declaration of Trust shall provide that all monies credited to the Transaction Account from time to time will be applied in the order of priority set out in Condition 5.3.

### **Mudaraba Agreement**

The Mudaraba Agreement will be entered into on 19 April 2021 between the Trustee (as Rab-al-Maal) and DIB (as Mudareb) and will be governed by English law.

The Mudaraba will commence on the date of payment of the Mudaraba Capital to the Mudareb and will end (i) on the date on which all, but not some only, of the Certificates are redeemed in accordance with the Conditions following the final constructive liquidation of the Mudaraba in accordance with the terms of the Mudaraba Agreement (the **Mudaraba End Date**) or (ii) (if earlier) (A) in the case of a Write-down resulting in the reduction of the Prevailing Face Amount of each Certificate then outstanding to nil, on the Non-Viability Event Write-down Date or (B) on the date on which any Relevant Obligation is due and on such payment date any of the Solvency Conditions are not satisfied or a bankruptcy order in respect of the Mudareb has been issued by a court in the UAE.

Pursuant to the Mudaraba Agreement the proceeds of the issue of the Certificates will be contributed by the Trustee to the Mudareb and shall form the Mudaraba Capital. The Mudaraba Capital shall be invested by the Mudareb on an unrestricted co-mingling basis in its general business activities carried out through the

general mudaraba pool of DIB comprising: (i) DIB's shareholders' equity; (ii) proceeds of all current savings and investment deposit accounts with DIB; (iii) any other source of funds (howsoever generated or structured) included in the General Mudaraba Pool by DIB from time to time; and (iv) following contribution of the Mudaraba Capital on the commencement date of the Mudaraba, the Mudaraba Capital (the **General Mudaraba Pool**) in accordance with the investment plan prepared by the Mudareb and scheduled to the Mudaraba Agreement (the **Investment Plan**). The Mudareb will acknowledge and agree in the Mudaraba Agreement that the Investment Plan was prepared by it with due skill, care and attention, and acknowledge that the Trustee has entered into the Mudaraba and the Mudaraba Agreement in reliance on the Investment Plan.

The Mudareb is expressly authorised to co-mingle the Mudaraba Assets with any of the other assets of the General Mudaraba Pool from time to time during the Mudaraba Term, provided that prior to the calculation of any Mudaraba Profit or Final Mudaraba Profit the Mudareb shall deduct a proportion of any profit earned from the co-mingled assets (excluding the Mudaraba Assets).

The Mudaraba Agreement provides that the profit (if any) generated by the Mudaraba will be distributed by the Mudareb on each Mudaraba Profit Distribution Date on the basis of a constructive liquidation of the Mudaraba by the Mudareb in accordance with the following profit sharing ratio:

- (a) the Trustee (as Rab-al-Maal) 90 per cent; and
- (b) the Mudareb 10 per cent.

If the Mudareb elects to make a payment of Mudaraba Profit or Final Mudaraba Profit is otherwise payable pursuant to the Mudaraba Agreement, and the Trustee's share of the Mudaraba Profit (the **Rab-al-Maal Mudaraba Profit**) or the Trustee's share of the Final Mudaraba Profit (the **Rab-al-Maal Final Mudaraba Profit**) (as applicable) payable to the Trustee is (i) greater than the then applicable Periodic Distribution Amount, the amount of any excess shall be credited to a reserve account (the **Mudaraba Reserve**) for and on behalf of the Rab-al-Maal and the Rab-al-Maal Mudaraba Profit or the Rab-al-Maal Final Mudaraba Profit (as applicable) payable to the Trustee shall be reduced accordingly; or (ii) less than the then applicable Periodic Distribution Amount, the Mudareb shall first utilise any amounts standing to the credit of the Mudaraba Reserve (after re-crediting amounts to the Mudaraba Reserve pursuant to the Mudaraba Agreement) and, if a shortfall still exists, it may (at its sole discretion) elect (but shall not be obliged) to make one or more payments from its own cash resources in order to cover such shortfall. If the Mudareb elects to make payments from its own cash resources in order to cover such shortfall, it shall be entitled to recover such amounts at a later date from (i) the monies (if any) standing to the credit of the Mudaraba Reserve and (ii) if, following such recovery, any amount remains outstanding for recovery (the **outstanding recovery amount**), the proceeds of the liquidation of the Mudaraba on the Mudaraba End Date.

The Mudareb shall be entitled (at its sole discretion) to deduct amounts standing to the credit of the Mudaraba Reserve at any time prior to the Mudaraba End Date and to use such amounts for its own purposes provided that such amounts shall be re-credited by it to the Mudaraba Reserve if so required to fund a shortfall pursuant to the circumstance referred to above.

*The Mudaraba Agreement does not require the Mudareb to make payments to the Trustee of amounts equal to, or sufficient to enable the Trustee to pay, any amounts due under the Certificates irrespective of the amount of Mudaraba Profit generated by the Mudaraba Assets at the relevant time or (as the case may be) irrespective of the amount of Dissolution Mudaraba Capital generated by any liquidation of the Mudaraba, and the Trustee acknowledges in the Mudaraba Agreement that there is no guarantee of any return from the Mudaraba Assets.*

If the Mudareb makes a Non-Payment Election or a Non-Payment Event occurs, then the Mudareb shall give notice to the Trustee, the Principal Paying Agent, the Delegate and the Certificateholders, in each case providing details of such Non-Payment Election or Non-Payment Event in accordance with the notice



periods set out in the Mudaraba Agreement. In the absence of notice of such Non-Payment Election or a Non-Payment Event, as the case may be, having been given in accordance with the Mudaraba Agreement, the fact of non-payment of the relevant Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit on the relevant Mudaraba Profit Distribution Date or Mudaraba End Date, respectively, shall be evidence of the occurrence of a Non-Payment Election or Non-Payment Event, as the case may be. The Trustee shall have no claim in respect of any Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit due but not paid as a result of either (in the case of Rab-al-Maal Mudaraba Profit only) a Non-Payment Election or (in the case of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit) a Non-Payment Event (in each case irrespective of whether notice of such Non-Payment Election or Non-Payment Event, as the case may be, has been given) and such non-payment in such circumstance will not constitute a Dissolution Event. Any such Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit which is not paid to the Trustee in such circumstances shall be credited by the Mudareb to the Mudaraba Reserve, and the Mudareb shall be entitled to (at its sole discretion) to deduct amounts standing to the credit of the Mudaraba Reserve at any time prior to the Mudaraba End Date and to use such amounts for its own purposes provided that such amounts shall be re-credited by it to the Mudaraba Reserve if so required to fund a shortfall pursuant to the circumstance referred to above.

If any amount of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit is not paid as a consequence of a Non-Payment Election or Non-Payment Event (the **Dividend Stopper Date**), the Mudareb shall be prohibited from declaring or paying certain distributions or dividends, declaring or paying profit or other distributions on certain of its securities, or redeeming, purchasing, cancelling, reducing or otherwise acquiring certain of its share capital and securities, in each case unless or until the next following payment of Rab-al-Maal Mudaraba Profit or, as the case may be, Rab-al-Maal Final Mudaraba Profit following a Dividend Stopper Date, is made in full to the Trustee following such Non-Payment Election or Non-Payment Event (or an amount equal to that amount has been duly set aside or provided for in full for the benefit of the Trustee).

Subject to certain conditions as set out in the Mudaraba Agreement, the Mudareb may (in its sole discretion) liquidate the Mudaraba in whole, but not in part, on the basis of a final constructive liquidation of the Mudaraba for the purposes of (i) firstly, returning capital (the **Dissolution Mudaraba Capital**) to the Trustee; and (ii) secondly, (to the extent such amount is payable pursuant to the Mudaraba Agreement) paying the Rab-al-Maal Final Mudaraba Profit to the Trustee (the aggregate of (i) and (ii) being the **Liquidation Proceeds**) on the Mudaraba End Date, in the following circumstances:

- (a) on any Call Date by giving not less than 15 nor more than 20 days' prior notice to the Trustee and the Delegate; or
- (b) on any date, on or after the Issue Date (whether or not a Periodic Distribution Date), by giving not less than 15 nor more than 20 days' prior notice to the Trustee and the Delegate:
  - (i) upon the occurrence of a Tax Event; or
  - (ii) upon the occurrence of a Capital Event.

If the Mudareb exercises its option to liquidate in accordance with paragraph (a) or (b)(i) above and the Liquidation Proceeds are less than the aggregate of (i) the Mudaraba Capital, (ii) subject to a Non-Payment Event not having occurred and be continuing and provided that a Non-Payment Event will not occur as a result of such payment, the Rab-al-Maal Final Mudaraba Profit (being an amount equal to the Periodic Distribution Amount payable on the redemption of the Certificates in full), and (iii) any outstanding recovery amount pursuant to the paragraph above, the Mudareb shall either continue investing the Dissolution Mudaraba Capital in the Mudaraba, and accordingly no distribution of the Liquidation Proceeds shall occur, or shall, without duplication with any Rab-al-Maal Final Mudaraba Profit payable pursuant to the Mudaraba Agreement, indemnify the Trustee in respect of such shortfall and transfer the Liquidation Proceeds into the Transaction Account in which case there shall be a final constructive liquidation of the Mudaraba.

If the Mudareb exercises its option to liquidate in accordance with paragraph (b)(ii) above and the Liquidation Proceeds are less than the aggregate of (i) the Mudaraba Capital plus the Capital Event Further Amount, (ii) subject to a Non-Payment Event not having occurred and be continuing and provided that a Non-Payment Event will not occur as a result of such payment, the Rab-al-Maal Final Mudaraba Profit (being an amount equal to the Periodic Distribution Amount payable on the redemption of the Certificates in full), and (iii) any outstanding recovery amount pursuant to the paragraph above, the Mudareb shall either continue investing the Dissolution Mudaraba Capital in the Mudaraba, and accordingly no distribution of the Liquidation Proceeds shall occur, or shall, without duplication with any Rab-al-Maal Final Mudaraba Profit payable pursuant to the Mudaraba Agreement, indemnify the Trustee in respect of such shortfall and shall transfer the Liquidation Proceeds into the Transaction Account in which case there shall be a final constructive liquidation of the Mudaraba.

Under the terms of the Mudaraba Agreement, the Mudaraba will be liquidated in whole but not in part if at any time an order is made, or an effective resolution is passed, for the winding-up, bankruptcy, dissolution or liquidation (or other analogous event) of the Mudareb and/or if a DIB Event occurs and a Dissolution Notice is delivered pursuant to Condition 12.1. The Mudareb acknowledges under the Mudaraba Agreement that the Trustee shall in such case be entitled to claim for all amounts due in accordance with the terms of the Mudaraba Agreement in such winding-up, bankruptcy, dissolution or liquidation (or analogous event) subject to certain conditions being satisfied.

The Mudaraba Agreement also provides that if a Non-Viability Event occurs at any time on or after the Effective Date, a Write-down will take place. In the case of a Write-down resulting in:

- (a) the partial reduction of the Prevailing Face Amount (corresponding to the *pro rata* share of the Mudaraba Capital) of each Certificate then outstanding, the Mudaraba Capital shall be reduced by the relevant Write-down Amount with effect from the Non-Viability Event Write-down Date; and
- (b) the reduction of the Prevailing Face Amount (corresponding to the *pro rata* share of the Mudaraba Capital) of each Certificate then outstanding to nil, the Mudaraba Agreement will be automatically terminated with effect from the Non-Viability Event Write-down Date and the Trustee shall not be entitled to any claim for any amounts in connection with the Mudaraba Assets.

The Mudareb and the Trustee undertake in the Mudaraba Agreement, in circumstances where the Certificates are required by DIB to be varied upon the occurrence of a Tax Event or a Capital Event pursuant to the Conditions, to take such steps and make such variations to the Mudaraba Agreement as are necessary to ensure that the Certificates become or, as appropriate, remain Qualifying Tier 1 Instruments.

The Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Trustee unless such losses are caused by (i) the Mudareb's breach of the Mudaraba Agreement or (ii) the Mudareb's gross negligence, wilful misconduct or fraud.

The Mudareb shall exercise its rights, powers and discretions under the Mudaraba Agreement and take such action as it deems appropriate in accordance with material applicable laws, with the degree of skill and care that it would exercise in respect of its own assets, in accordance with the Sharia'ah Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), from time to time, as interpreted by the Internal Sharia Supervision Committee of DIB and, to the extent applicable, the resolutions of the Higher Sharia Authority of the Central Bank and in a manner that is not repugnant to Shari'a.

Under the Mudaraba Agreement, the Trustee and the Mudareb agree that, on the Mudaraba End Date, the Mudareb will calculate and distribute the Final Mudaraba Profit (if any) in accordance with the Mudaraba Agreement and in doing so: (i) the Rab-al-Maal Final Mudaraba Profit payable to the Trustee will (if generated) be an amount equal to the final Periodic Distribution Amount, provided however that payment of the same shall be prohibited in circumstances where a Non-Payment Event has occurred or where a Non-

Payment Event will occur as a result of such payment; and (ii) subject to the Mudaraba Agreement, the balance of amounts standing to the credit of the Mudaraba Reserve, after paying all amounts due to the Trustee pursuant to the Mudaraba Agreement, shall be paid to the Mudareb as an incentive for its performance under the Mudaraba Agreement.

Other than its share of profit from the Mudaraba and any incentive payable in accordance with the Mudaraba Agreement, the Mudareb shall not be entitled to receive any remuneration from the Mudaraba.

The Mudareb will agree in the Mudaraba Agreement that all payments by it under the Mudaraba Agreement will be made free and clear of and without any withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of any Relevant Jurisdiction unless required by law. In the event there is any such withholding or deduction in relation to any Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, the Mudareb shall pay Additional Amounts as shall result in the receipt by the Trustee of such net amounts of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, as would have been receivable by it if no such withholding or deduction had been required. To the extent that any such Additional Amounts are paid by the Mudareb, the Mudareb shall be entitled to recover amounts equal to such Additional Amounts from the amounts (if any) standing to the credit of the Mudaraba Reserve and if, following such recovery a shortfall remains between the amounts standing to the credit of the Mudaraba Reserve and such Additional Amounts paid by the Mudareb (such shortfall, the **Additional Amounts Shortfall**), the Mudareb shall be entitled to recover amounts equal to such Additional Amounts Shortfall from any Liquidation Proceeds (after taking into account amounts equal to the then applicable Dissolution Distribution Amount payable to the Trustee on the Mudaraba End Date pursuant to the Mudaraba Agreement). Any taxes incurred in connection with the operation of the Mudaraba (including in connection with any transfer, sale or disposal of any Mudaraba Asset during the Mudaraba Term) will be borne by the Mudaraba itself.

### **Agency Agreement**

The Agency Agreement will be entered into on 19 April 2021 between the Trustee, DIB, the Delegate, the Principal Paying Agent, the Calculation Agent, the Registrar and the Transfer Agent.

Pursuant to the Agency Agreement, the Registrar has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to authenticate (or procure the authentication of) and deliver the Global Certificate and, if any, each Definitive Certificate; the Principal Paying Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to pay all sums due under such Global Certificate; the Calculation Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to calculate the Profit Rate in respect of each Reset Period commencing on the relevant Reset Date, subject to and in accordance with the Conditions; and the Transfer Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to effect requests to transfer all or part of the Definitive Certificate and issue Definitive Certificates in accordance with each request.

On the Issue Date, the Registrar will (i) authenticate (or procure the authentication of) the Global Certificate and, if any, each Definitive Certificate in accordance with the terms of the Declaration of Trust; and (ii) deliver the Global Certificate to the Common Depositary.

DIB shall cause to be deposited into the Transaction Account opened by the Trustee with the Principal Paying Agent in London, in same day freely transferable, cleared funds, any payment which may be due under the Certificates in accordance with the Conditions.

The Principal Paying Agent agrees that it shall, on each Periodic Distribution Date and on the date fixed for payment of the Dissolution Distribution Amount, or any earlier date specified for the liquidation of the Mudaraba, apply the monies standing to the credit of the Transaction Account in accordance with the order of priority set out in Condition 5.3.

## Shari'a Compliance

Each Transaction Document provides that each of DIB Tier 1 Sukuk (5) Ltd. and Dubai Islamic Bank PJSC agrees that it has accepted the Shari'a compliant nature of the Transaction Documents and, to the extent permitted by law, further agrees that:

- (a) it shall not claim that any of its obligations under the Transaction Documents (or any provision thereof) is *ultra vires* or not compliant with the principles of Shari'a;
- (b) it shall not take any steps or bring any proceedings in any forum to challenge the Shari'a compliance of the Transaction Documents; and
- (c) none of its obligations under the Transaction Documents shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents are not compliant with the principles of Shari'a.

## TAXATION

*The following is a general description of certain tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates and does not constitute legal or tax advice. Prospective purchasers of the Certificates should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of Certificates and receiving payments under the Certificates. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.*

### **Cayman Islands**

*The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.*

Under existing Cayman Islands laws, payments by the Trustee on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of principal or profit to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

The Trustee has applied for and expects to receive an undertaking from the Governor in Cabinet of the Cayman Islands pursuant to the Tax Concessions Law (As Revised) of the Cayman Islands that, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Trustee, or (ii) by way of the withholding in whole or part, of any relevant payment (as defined in the Tax Concessions Law (As Revised)). Subject as set out below, no capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Certificates. An instrument transferring title to any Certificates, if executed in or brought into the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised share capital. At current rates, this annual registration fee is approximately U.S.\$853.66.

### **UAE**

*The following summary of the anticipated tax treatment in the UAE in relation to payments on the Certificates and pursuant to the Mudaraba Agreement is based on the taxation law and practice in force at the date of this Prospectus, and does not constitute legal or tax advice. Prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change.*

There is currently in force in Dubai legislation establishing a general corporate taxation regime (the Dubai Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Dubai taxation in respect of payments by the Trustee under the Certificates and/or DIB under the Mudaraba Agreement (including Periodic Distribution Amounts or Dissolution Distribution Amounts in relation to the Certificates). If any such withholding or deduction is required to be made in respect of payments due by DIB under the Mudaraba Agreement, DIB has undertaken

in the Mudaraba Agreement to gross-up the payments due by it accordingly. If any such withholding or deduction is required to be made in respect of payments of Periodic Distribution Amounts (but not, for the avoidance of doubt, Dissolution Distribution Amounts (other than any Outstanding Payments)) due by the Trustee under the Certificates, (i) the Trustee has undertaken to gross-up the payment(s) accordingly (subject to certain limited exceptions) under Condition 13 and (ii) DIB has undertaken in the Declaration of Trust to pay such additional amounts to the Trustee to enable the Trustee to discharge such obligation.

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with certain other countries.

### **The Proposed Financial Transactions Tax**

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common financial transaction tax (**FTT**) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, **established** in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Certificates are advised to seek their own professional advice in relation to the FTT.

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, such withholding would not apply prior to the date that is two years after the date on

which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are published generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Certificates. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Certificates, no person will be required to pay additional amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the **Subscription Agreement**) dated 15 April 2021 between the Trustee, DIB, Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, HSBC Bank plc and Standard Chartered Bank (together, the **Joint Lead Managers**), the Trustee has agreed to issue and sell to the Joint Lead Managers (other than DIB in its capacity as such) U.S.\$500,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Joint Lead Managers (other than DIB in its capacity as such) have jointly and severally agreed to subscribe for the Certificates.

The Subscription Agreement provides that the obligations of the Joint Lead Managers to pay for and accept delivery of the Certificates are subject to the approval of certain legal matters by their counsel and certain other conditions. The Joint Lead Managers (other than DIB in its capacity as such) will be paid certain commissions in respect of their services for managing the issue and sale of the Certificates. The Joint Lead Managers (other than DIB in its capacity as such) will also be reimbursed in respect of certain of their expenses, and each of the Trustee and DIB has agreed to indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue and offering of the Certificates.

Certain of the Joint Lead Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to DIB and/or their affiliates in the ordinary course of business.

### Selling Restrictions

#### United States

The Certificates have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Certificates (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Certificates and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the Certificates during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons.

The Certificates are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Certificates, an offer or sale of Certificates within the United States by a dealer (whether or not participating in the offering of the Certificates) may violate the registration requirements of the Securities Act.

#### Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates to any retail investor in the European Economic Area. For the purposes of this provision, the expression **retail investor** means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or



- (b) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

## **United Kingdom**

### ***Prohibition of Sales to UK Retail Investors***

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates to any retail investor in the United Kingdom. For the purposes of this provision, the expression **retail investor** means a person who is one (or more) of the following:

- (a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or
- (b) a customer within the meaning of the provisions of FSMA and any rules and regulations made under FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

### ***Other regulatory restrictions***

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or DIB; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Certificates in, from or otherwise involving the United Kingdom.

## **UAE (excluding the Dubai International Financial Centre)**

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

## **Cayman Islands**

Each Joint Lead Manager has represented and agreed that it has not made and will not make, whether directly or indirectly, any offer or invitation to the public in the Cayman Islands to subscribe for the Certificates.

## **Dubai International Financial Centre**

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (**DFSA**) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

## **Kingdom of Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017 (as amended, the **KSA Regulations**), made through an authorised person licensed by the Capital Market Authority, in each case, in accordance with the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "Sophisticated Investors" under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of, or as otherwise required or permitted by, the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of Certificates to a Saudi Investor will be made in compliance with the KSA Regulations.

The offer of Certificates shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made in compliance with the restrictions on secondary market activity under the KSA Regulations.

## **State of Kuwait**

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold, promoted or advertised by it in the State of Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities.

No private or public offering of the Certificates is being made in Kuwait, and no agreement relating to the sale of the Certificates will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Certificates in the State of Kuwait.

## **Kingdom of Bahrain**

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an **accredited investor** means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1 million or more excluding that person's principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1 million; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

## Hong Kong

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong by means of any document, any Certificates other than: (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

## Singapore

Each Joint Lead Manager has acknowledged that this Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Certificates, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) under Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;

- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

## **Malaysia**

Each Joint Lead Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia (the **SC**) under the Capital Markets and Services Act 2007 (the **CMSA**).

Accordingly, each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold or delivered and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed by it in Malaysia, other than to persons falling within any one of the categories of persons specified under Part I of Schedule 6 (or Section 229(1)(b)), Part I of Schedule 7 (or Section 230(1)(b)) and Schedule 8 (or Section 275(3)) of the CMSA, read together with Schedule 9 (or Section 257(3)) of the CMSA, subject to any law, order, regulation, or official directive of the Central Bank of Malaysia, the SC and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

## **Switzerland**

Each Joint Lead Manager has acknowledged, that this Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Certificates and has represented and agreed that the Certificates may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act (**FinSA**) and no application has or will be made by it to admit the Certificates to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Certificates constitutes a prospectus pursuant to the FinSA, and neither this Prospectus nor any other offering or marketing material relating to the Certificates may be publicly distributed or otherwise made publicly available in Switzerland.

## **General**

None of the Trustee, DIB nor any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Trustee or DIB that would permit a public offering of the Certificates, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Certificates (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers any Certificates or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other offering or publicity material relating to the Certificates, in all cases at its own expense.

## GENERAL INFORMATION

### Listing

Application has been made to Euronext Dublin for the Certificates to be admitted to listing on the Official List and to trading on the Euronext Dublin Regulated Market. The Euronext Dublin Regulated Market is a regulated market for the purposes of MiFID II. It is expected that the listing of the Certificates on the Official List and admission of the Certificates to trading on the Euronext Dublin Regulated Market will be granted on or around 19 April 2021.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Trustee in relation to the Certificates and is not itself seeking admission of the Certificates to the Official List or to trading on the Euronext Dublin Regulated Market for the purposes of the Prospectus Regulation.

The expenses in relation to the admission of the Certificates to trading on the Euronext Dublin Regulated Market will be approximately €7,790.

Application has also been made to the DFSA for the Certificates to be admitted to the DFSA Official List and to Nasdaq Dubai for the Certificates to be admitted to trading on Nasdaq Dubai. It is expected that the listing of the Certificates on the DFSA Official List and admission of the Certificates to trading on Nasdaq Dubai will be granted on or around 19 April 2021. The total expenses relating to the admission to trading of the Certificates on Nasdaq Dubai are estimated to be U.S.\$7,000.

### Authorisation

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Trustee dated 6 April 2021. DIB Tier 1 Sukuk (5) Ltd., in its capacity as issuer and trustee has obtained all necessary consents, approvals and authorisations in the Cayman Islands in connection with the issue and performance of the Certificates and the execution and performance of the Transaction Documents. The entry by DIB into the Transaction Documents was authorised by the shareholders of DIB on 16 March 2021 and by the directors of DIB on 18 March 2021.

### Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN is XS2330535381 and the common code is 233053538. The Financial Instrument Short Name (FISN) is DIB TIER 1 SUKU/3.375ASST BKD PERP and the Classification of Financial Instruments (CFI) Code is DAFXPR, each as may be updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the National Numbering Agency that assigned the ISIN.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, LI 855 Luxembourg.

### Significant or Material Change

There has been no significant change in the financial performance or financial position or trading position of the Trustee and no material adverse change in the prospects of the Trustee, in each case, since the date of its incorporation.

Save for the factors described on pages 1 to 2 of this Prospectus in "*Risk Factors – Risks relating to the Group – The Group's business, financial condition, results of operations and prospects are and will continue to be affected by economic conditions and the impact of COVID-19 on the UAE's economy is likely to materially adversely impact the Group*", there has been no significant change in the financial performance or

financial position or trading position of DIB and its subsidiaries and there has been no material adverse change in the prospects of DIB and its subsidiaries, in each case, since 31 December 2020.

### **Litigation**

The Trustee is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) since the date of its incorporation which may have or have in such period had a significant effect on the financial position or profitability of the Trustee.

Save as disclosed on page 10 of this Prospectus in "*Risk Factors – Risks relating to the Group – The Group is party to litigation related to the terrorist attacks on New York City on 11 September 2001*", neither DIB nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the DIB is aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of DIB or any of its subsidiaries.

### **Auditors**

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

The auditors of DIB are Deloitte & Touche (M.E.) (**Deloitte**) of P.O. Box 4254, Dubai, UAE. Deloitte is a registered audit firm in the UAE, operating under professional licenses issued by the Dubai Economic Department and the UAE Ministry of Economy. There is no professional institute of auditors in the UAE and accordingly, Deloitte is not a member of a professional body in the UAE. All Deloitte professionals and partners are members of the institutes from where they received their professional qualification.

The Financial Statements were audited in accordance with International Standards on Auditing by Deloitte, without qualification as stated in their audit reports incorporated by reference into this Prospectus.

### **Documents Available**

For as long as any Certificates remain outstanding, copies of the following documents will, when published, be available for inspection from <https://www.dib.ae>:

- (a) the Memorandum and Articles of Association of the Trustee and the constitutional documents (with an English translation thereof) of DIB;
- (b) the Declaration of Trust and the Agency Agreement.

This Prospectus will be available for viewing on (i) the website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>) and (ii) the website of Nasdaq Dubai (<http://www.nasdaqdubai.com>).

### **Joint Lead Managers transacting with DIB**

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, DIB (and its affiliates) in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or, in the case of Joint Lead Managers other than DIB, related derivative securities) and financial instruments (including

bank financings) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of DIB or DIB's affiliates (including the Certificates). Certain of the Joint Lead Managers (other than DIB) or their affiliates that have a financing relationship with DIB routinely hedge their credit exposure to DIB consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates. Any such short positions could adversely affect future trading prices of the Certificates. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may, in the case of Joint Lead Managers other than DIB, hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

### **Cayman Islands Data Protection**

The Cayman Islands Government enacted the Data Protection Act (as Revised) of the Cayman Islands (the **DPA**) on 18 May 2017 which was brought into force on 30 September 2019. The DPA introduces legal requirements for the Trustee based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Certificates and the associated interactions with the Trustee and its affiliates and/or delegates, or by virtue of providing the Trustee with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals may be providing the Trustee and its affiliates and/or delegates (including, without limitation, the Trustee Administrator) with certain personal information which constitutes personal data within the meaning of the DPA. The Trustee shall act as a data controller in respect of this personal data and its affiliates and/or delegates, such as the Trustee Administrator, may act as data processors (or data controllers in their own right in some circumstances).

For further information on the application of the DPA to the Trustee, please refer to the Privacy Notice (a copy of which may be requested from the Trustee Administrator by email at [dubai@maples.com](mailto:dubai@maples.com)), which provides an outline of investors' data protection rights and obligations as they relate to the investment in the Certificates.

Oversight of the DPA is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPA by the Trustee could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

### **Shari'a Approvals**

The transaction structure relating to the Certificates (as described in this Prospectus) and the Transaction Documents have been approved by each of the Fatwa and Sharia Supervisory Board of DIB and the Sharia Committee of Dar al Sharia Islamic Finance Consultancy LLC, First Abu Dhabi Bank Internal Shariah Supervision Committee, the Internal Shariah Supervision Committee of HSBC Bank Middle East Limited and the Standard Chartered Bank Global Shariah Supervisory Committee. Prospective Certificateholders should not rely on any of the approvals referred to above in deciding whether to make an investment in the Certificates and should consult their own Shari'a advisers as to whether the proposed transaction is in compliance with Shari'a principles.

***Description of the members of the Fatwa and Sharia Supervisory Board of DIB, First Abu Dhabi Bank Internal Shariah Supervision Committee, the Internal Shariah Supervision Committee of HSBC Bank Middle East Limited and the Standard Chartered Bank Global Shariah Supervisory Committee***

***Fatwa and Sharia Supervisory Board of DIB***

*Professor Dr. Mohamed Ali Elgari*

Dr. Elgari is a Professor of Islamic Economics and the former Director of the Centre for Research in Islamic Economics at King Abdul Aziz University in the Kingdom of Saudi Arabia. Dr. Elgari is the recipient of the Islamic Development Bank Prize in Islamic Banking and Finance and holds the KLIFF Islamic Finance Award for Most Outstanding Contribution to Islamic Finance (Individual).

He is a member on the editorial board of several academic publications in the field of Islamic Finance and Jurisprudence, among them the Journal of the Jurisprudence Academy (of the IWL), Journal of Islamic Economic Studies (IDB), Journal of Islamic Economic (IAIE, London), and the advisory board of the Harvard Series in Islamic Law, Harvard Law School.

Dr. Elgari is also an advisor to numerous Islamic financial institutions throughout the world and is notably on the Shariah board of the Dow Jones Islamic index as well as a member of the Islamic Fiqh Academy and the Islamic Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI).

Dr. Elgari holds a PhD in Economics from the University of California, United States of America.

*Dr. Muhammad Qaseem*

Dr. Qaseem holds a PhD (Islamic Studies) from the Faculty of Usul ud Dinis, University of Karachi. He has been a member of the Sharia boards of many other institutions. Dr. Qaseem has taught various courses for a number of B.A. and M.A. programmes of the International Islamic University, Islamabad.

Dr. Qaseem has produced many academic contributions, articles and literary and translation works.

*Sheikh Dr. Muhammad Abdulrahim Sultan Al Olama*

Sheikh Dr. Al Olama is a member of the Grand Islamic Scholars Body in Dubai, an Associate Professor of the School of Shari'a at the United Arab Emirates University in Al Ain and an acknowledged expert in Islamic finance. Sheikh Dr. Al Olama is also the head of the Fatwa Committee of the Zakat Funds in the UAE. He currently serves on a number of Shari'a boards representing Islamic financial institutions and Takaful companies.

Sheikh Dr. Al Olama has written extensively on modern Islamic finance and has presented numerous research papers at various international conferences. Sheikh Dr. Al Olama holds a PhD in Comparative Islamic Law from Umm Al Qurra University in Mecca, Kingdom of Saudi Arabia.

*Prof. Dr. Mohamad Akram Laldin*

Prof. Dr. Laldin is currently the Executive Director of ISRA. He is currently a member of Bank Negara Malaysia Shari'ah Advisory Council (SAC), member of Shariah Advisory Employees Provident Fund (EPF), member of HSBC Amanah Global Shari'ah Advisory Board, member of Yassar Limited (Dubai) Shari'ah Advisory Board, member of EAB (London) Shari'ah Advisory Board, Chairman of Islamic Advisory Board of HSBC Insurance Singapore, Shari'a advisor to ZI Syariah Advisory Malaysia, member of Shari'ah Advisory Council International Islamic Financial Market (IIFM), Bahrain, Committee member of AAOIFI Shari'ah Standards, Bahrain and other Boards across the globe. He is also a member of the Board of Studies of the Institute of Islamic Banking and Finance, IIUM.



Prof. Dr. Laldin holds a B.A. honours degree in Islamic Jurisprudence and Legislation from the University of Jordan, Amman, Jordan and a PhD in Principles of Islamic Jurisprudence (Usul al-Fiqh) from the University of Edinburgh, Scotland, United Kingdom. He has presented many papers related to Islamic Banking and Finance and other Fiqh topics and has conducted many training sessions particularly on Islamic Banking and Finance for different sectors since 1999. He is also a prolific author of academic works specifically in the areas of Islamic Banking and Finance. He is the recipient of Zaki Badawi Award 2010 for Excellence in Shariah Advisory and Research. He has participated and presented papers in numerous local and international conferences.

*Dr. Ibrahim Ali Al Mansoori*

Dr. Al Mansoori is a prominent Shari'a scholar from the UAE with an active focus on the Islamic banking and finance industry. He is currently serving as Director of Sharjah Islamic Center for Economy & Finance Studies and the Assistant Professor of Economy & Islamic Banks, University of Sharjah.

Dr. Al Mansoori is currently serving as the Chairman of the Internal Shari'ah Supervision Committee (ISSC) of Al Hilal Bank and a member of various ISSCs of Islamic financial institutions.

Dr. Al Mansoori holds a PhD in Economics & Islamic Banking, as well as two Master's Degrees in Economics & Islamic Banking and Pedagogical Psychology. He has authored various research papers on contemporary matters relating to Islamic Banking.

***First Abu Dhabi Bank Internal Shariah Supervision Committee***

*Dr. Mohd Daud Bakar*

Dr. Bakar was previously the deputy vice-chancellor at the International Islamic University Malaysia. He received his first degree in Shariah from University of Kuwait in 1988 and obtained his PhD from University of St. Andrews, United Kingdom in 1993. In 2002, he went on to complete his external Bachelor of Jurisprudence at University of Malaya. He has published a number of articles in various academic journals and has made numerous presentations at conferences both locally and overseas.

Dr. Bakar is currently the chairman of the Shariah Advisory Council of the Central Bank of Malaysia, the SACSC and the Shariah Supervisory Council of Labuan Financial Services Authority. He is also a member of the Sharia board of Dow Jones Islamic Market Index (New York), Oasis Asset Management (Cape Town, South Africa), The National Bank of Oman, Financial Guidance (USA), BNP Paribas (Bahrain), Morgan Stanley (Dubai), Jadwa-Russell Islamic Fund (Kingdom of Saudi Arabia), Bank of London and Middle East (London), Noor Bank (Dubai), Islamic Bank of Asia (Singapore), and in other financial institutions both locally and abroad. Dr. Bakar also actively advises on capital markets product structuring such as sukuk.

*Dr. Mohamed Ali Elgari*

See the description of Dr. Elgari set out above.

*Dr. Salim Al-Ali*

Dr. Salim Al-Ali is specialised in Islamic financial law, and legal and regulatory aspects of developing Islamic financial markets and participated in national and international conferences to address Shariah, legal and regulatory issues related to Islamic banks, Islamic capital markets and takaful. He is also actively involved in the area of Islamic finance by way of consultation, teaching and academic research in different jurisdictions including Malaysia, the UAE and the United Kingdom. He is also a member of the Shariah boards of Emirates NBD, HSBC Bank Middle East Limited, Al Hilal and Abu Dhabi Commercial Bank.

Dr. Salim Al-Ali is Assistant Professor at the College of Law, United Arab Emirates University, UAE. He obtained his PhD in Islamic Financial Law from the University of London, United Kingdom.

***Internal Shariah Supervision Committee of HSBC Bank Middle East Limited***

*Dr. Mohamed Ali Elgari*

See the description of Dr. Elgari set out above.

*Dr. Aznan Hasan*

Dr. Aznan Hasan is an Associate Professor in Islamic Law at Ahmad Ibrahim Kulliyyah of Laws, International Islamic University Malaysia and has taught Islamic law there since 2003. He is also President of the Association of Shariah Advisors in Islamic Finance and has been Deputy Chairman of the Shariah Advisory Council, Securities Commission of Malaysia since July 2010. He was a member of the Shariah Advisory Council, Bank Negara Malaysia (from November 2006 to August 2008 and from November 2010 to October 2013). He is also the Chairman of the Shariah Supervisory Board, Shariah Advisory Committee, Barclays DIFC (April 2011 to present). He is Shariah adviser to Maybank Islamic in Malaysia and has been advising ABSA Islamic Banking, South Africa since July 2010.

*Dr. Salim Al-Ali*

See the description of Dr. Al-Ali set out above.

***Standard Chartered Bank Global Shariah Supervisory Committee***

*Dr. Mohamed Ali Elgari*

See the description of Dr. Elgari set out above.

*Sheikh Nizam Yaquby*

Sheikh Yaquby studied traditional Islamic studies under the guidance of eminent Islamic scholars from different parts of the world. He has a BA in economics and comparative religions from McGill University, Canada. He has served in Bahrain Mosques from 1981 to 1990 where he taught Tafsir, Hadith and Fiqh in Bahrain since 1976. In addition to advising Citi Islamic Investment Bank E.C. and other Islamic finance institutions and funds, Sheikh Yaquby is a member of the Islamic Fiqh Academy and Auditing and Accounting Organisation for Islamic Financial Institutions. He has published several articles and books on various Islamic subjects including banking and finance.

*Dr. Aznan Hasan*

See the description of Dr. Hasan set out above.

**TRUSTEE AND RAB-AL-MAAL**

**DIB Tier 1 Sukuk (5) Ltd.**  
c/o MaplesFS Limited  
P.O. Box 1093, Queensgate House  
Grand Cayman, KY1-1102  
Cayman Islands

**MUDAREB**

**Dubai Islamic Bank PJSC**  
P.O. Box 1080  
Dubai  
United Arab Emirates

**DELEGATE**

**HSBC Corporate Trustee Company (UK) Limited**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**PRINCIPAL PAYING AGENT, CALCULATION AGENT,  
REGISTRAR AND TRANSFER AGENT**

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**JOINT LEAD MANAGERS**

**Dubai Islamic Bank PJSC**  
P.O. Box 1080  
Dubai  
United Arab Emirates

**Emirates NBD Bank PJSC**  
P.O. Box 777  
Dubai  
United Arab Emirates

**First Abu Dhabi Bank PJSC**  
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Khalifa Business Park – Al Qurm District  
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Abu Dhabi  
United Arab Emirates

**HSBC Bank plc**  
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United Kingdom

**Standard Chartered Bank**  
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United Arab Emirates

**AUDITORS TO DIB**

**Deloitte & Touche (M.E.)**

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**LEGAL ADVISERS**

*To the Trustee  
as to Cayman Islands law*

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United Arab Emirates

*To DIB  
as to English law and UAE law*

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United Arab Emirates

*To the Joint Lead Managers  
as to English law and UAE law*

**Clifford Chance LLP**

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Dubai  
United Arab Emirates

*To the Delegate  
as to English law*

**Clifford Chance LLP**

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United Kingdom

**IRISH LISTING AGENT**

**Arthur Cox Listing Services Limited**

Ten Earlsfort Terrace

Dublin 2

Ireland